

CONFERENCE COMMITTEE REPORT DIGEST FOR EHB 1001

Citations Affected: IC 6; IC 15-5; IC 20; IC 27-5.1-2-8; IC 36-6-5-3.

Synopsis: Various tax matters. Increases the homestead credit for one year in 2006 to 28% and the homestead standard deduction for one year in 2007 to \$45,000. Provides an additional distribution in 2006 to reimburse counties that send out revised tax bills to implement the additional homestead credit. Permits homestead credits to be certified using the best information available at the time the certification is made. Beginning in 2008, requires counties to use a uniform format for property tax statements that includes additional taxpayer information. Beginning in August 2009, requires a county to mail a notice concerning budget proceedings and proposed tax rates, tax levies, and budgets to each taxpayer and permits a taxpayer to appeal the taxpayer's assessment within 45 days after getting the notice. Limits use of students and teachers in promoting a bond issue; prohibits attorneys, architects, construction managers, and financial advisors from contributing money to promote a bond issue; and provides standards for accepting signatures on a remonstrance petition. Extends the time in 2006 in which a county fiscal body may adopt an ordinance to provide taxpayers with a cap on residential property taxes equal to 2% of the assessed value of the residential property. Beginning in 2007 for Lake County and 2008 for all other counties, establishes a 2% cap without a county fiscal body ordinance. Extends the 2% cap to all property in 2010. Imposes a utility use tax in transactions on which a utility receipts tax has not been imposed. Indicates that property constructed outside Indiana for Indiana use is subject to use tax. Exempts home energy assistance from gross receipts tax (sales tax) for one year. Prohibits the assignment of sales tax remittance deductions to nonaffiliated companies. Requires certain intangibles expenses and directly related intangible interest expense deducted for federal income tax purposes to be added back to a corporation's taxable income for state adjusted gross income tax purposes. Provides after a phase-in period that corporate business income is apportioned to Indiana for adjusted gross income tax purposes using a single sales factor. Indicates how the freight on board location of a sale affects the apportionment formula. Requires a corporation that files combined income tax returns to petition the department of state revenue for permission to discontinue filing combined returns. Permits an additional county adjusted gross income tax rate in Jasper County and an additional county option income tax rate in Scott county to construct and maintain criminal justice facilities. Extends the time in 2006 during which an additional economic development income tax rate may be imposed to provide

property tax relief to mitigate the effects of the elimination of the property tax on inventory. Permits a county to provide tax relief to other residential property in addition to homesteads. Replaces the requirement that a dog tax be imposed in each county with a county option dog tax. Makes a technical correction related to HEA 1134. Increases the calendar year cap on tuition support distributions for the calendar year ending December 31, 2006, by \$48.2 million or the amount needed to avoid reducing distributions in the second six months of the calendar year. Changes the school funding formula to eliminate the effects of annual property tax assessed value adjustments. Provides that a farm mutual insurance company may elect taxation under the gross premium tax instead of the adjusted gross income tax. Directs the office of management and budget to develop a proposal for presentation to the state budget committee by November 1, 2006, concerning an actuarially funded retirement health program for state employees. Makes an appropriation for the additional homestead credit amount. Appropriates \$20.1 million dollars or the amount needed for state tuition support distributions in the state fiscal year ending June 30, 2006. Makes other related changes. **(This conference committee report adds provisions to the Senate passed version of EHB 1001 concerning an additional homestead credit, mailing of additional information to taxpayers before budgets are adopted and appeals based on the notice, optional use of the additional economic development tax rate to mitigate the effect of the inventory tax deduction on residential property other than homesteads, and proposals to actuarially fund retirement health programs for state employees. The conference committee report deletes provisions from the Senate passed version of EHB 1001 concerning the Indiana economic development corporation, reassessment of lots, enterprise zone investments, reassessment funds, economic revitalization areas and maritime opportunity zones, property tax replacement credits for C corporations, economic development for a growing economy tax credits, Hoosier business investment credits, additional Jackson county, Elkhart County, and Marshall County adjusted gross income tax rates, and various taxpayer credit and deduction validation provisions. The conference committee report changes provisions in the Senate passed version of EHB 1001 concerning the homestead standard deduction, the 2% cap on residential property taxes, the prohibition on the assignment of sales tax remittance deductions, the addback of intangible expenses and directly related intangible interest expenses, the county option dog tax, and the school funding formula.)**

Effective: Upon passage; July 1, 2005 (retroactive); January 1, 2006 (retroactive); July 1, 2006; January 1, 2007.

CONFERENCE COMMITTEE REPORT

MADAM PRESIDENT:

Your Conference Committee appointed to confer with a like committee from the House upon Engrossed Senate Amendments to Engrossed House Bill No. 1001 respectfully reports that said two committees have conferred and agreed as follows to wit:

that the House recede from its dissent from all Senate amendments and that the House now concur in all Senate amendments to the bill and that the bill be further amended as follows:

- 1 Delete the amendment made by the committee report of the committee
- 2 of one adopted March 1, 2006.
- 3 Delete everything after the enacting clause and insert the following:
- 4 SECTION 1. IC 6-1.1-12-37 IS AMENDED TO READ AS
- 5 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 37. (a) Each year
- 6 a person who is entitled to receive the homestead credit provided under
- 7 IC 6-1.1-20.9 for property taxes payable in the following year is entitled
- 8 to a standard deduction from the assessed value of the real property,
- 9 mobile home not assessed as real property, or manufactured home not
- 10 assessed as real property that qualifies for the homestead credit. The
- 11 auditor of the county shall record and make the deduction for the person
- 12 qualifying for the deduction.
- 13 (b) Except as provided in section 40.5 of this chapter, the total
- 14 amount of the deduction that a person may receive under this section for
- 15 a particular year is the lesser of:
- 16 (1) one-half (1/2) of the assessed value of the real property, mobile
- 17 home not assessed as real property, or manufactured home not
- 18 assessed as real property; or
- 19 (2) **for property taxes first due and payable:**
- 20 **(A) before January 1, 2007,** thirty-five thousand dollars
- 21 **(\$35,000);**

1 **(B) after December 31, 2006, and before January 1, 2008,**
 2 **forty-five thousand dollars (\$45,000); and**
 3 **(C) after December 31, 2007, thirty-five thousand dollars**
 4 **(\$35,000).**

5 (c) A person who has sold real property, a mobile home not assessed
 6 as real property, or a manufactured home not assessed as real property
 7 to another person under a contract that provides that the contract buyer
 8 is to pay the property taxes on the real property, mobile home, or
 9 manufactured home may not claim the deduction provided under this
 10 section with respect to that real property, mobile home, or manufactured
 11 home.

12 SECTION 2. IC 6-1.1-15-1, AS AMENDED BY P.L.199-2005,
 13 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 14 JULY 1, 2006]: Sec. 1. (a) A taxpayer may obtain a review by the
 15 county property tax assessment board of appeals of a county or
 16 township official's action with respect to the assessment of the
 17 taxpayer's tangible property if the official's action requires the giving of
 18 notice to the taxpayer. At the time that notice is given to the taxpayer,
 19 the taxpayer shall also be informed in writing of:

20 (1) the opportunity for review under this section, including an
 21 informal preliminary conference with the county or township
 22 official referred to in this subsection; and

23 (2) the procedures the taxpayer must follow in order to obtain
 24 review under this section.

25 (b) In order to appeal ~~a current an~~ assessment ~~and have a change in~~
 26 ~~the assessment~~ effective for the ~~most recent~~ assessment date ~~that~~
 27 **applies to property taxes first due and payable in the current**
 28 **calendar year:**

29 **(1)** the taxpayer must request in writing a preliminary conference
 30 with the county or township official referred to in subsection (a) ~~(+)~~
 31 not later than forty-five (45) days after notice of a change in the
 32 assessment **for the current calendar year** is given to the taxpayer;
 33 or

34 **(2) if the current year is:**

35 **(A) before 2010 and a notice of a change in assessment is not**
 36 **given to the taxpayer, the taxpayer must request in writing**
 37 **a preliminary conference with the county or township official**
 38 **referred to in subsection (a) on or before May 10 of that the**
 39 **year in which the assessment date occurs; and**

40 **(B) if the current calendar year is a calendar year after 2009,**
 41 **not later than forty-five (45) days after notice of the**
 42 **statement under IC 6-1.1-17-3.**

43 ~~whichever is later.~~ The preliminary conference required under this
 44 subsection is a prerequisite to a review by the county property tax
 45 assessment board of appeals under subsection (i).

46 (c) A change in an assessment made as a result of an appeal filed:

47 (1) in the same year that notice of a change in the assessment is
 48 given to the taxpayer; and

49 (2) after the time prescribed in subsection (b);

1 becomes effective for the next assessment date.

2 (d) A taxpayer may appeal a current real property assessment in a
3 year even if the taxpayer has not received a notice of assessment in the
4 year. If an appeal is filed on or before May 10 of a year in which the
5 taxpayer has not received notice of assessment, a change in the
6 assessment resulting from the appeal is effective for the most recent
7 assessment date. If the appeal is filed after May 10, the change becomes
8 effective for the next assessment date.

9 (e) The written request for a preliminary conference that is required
10 under subsection (b) must include the following information:

- 11 (1) The name of the taxpayer.
- 12 (2) The address and parcel or key number of the property.
- 13 (3) The address and telephone number of the taxpayer.

14 (f) The county or township official referred to in subsection (a) shall,
15 not later than thirty (30) days after the receipt of a written request for
16 a preliminary conference, attempt to hold a preliminary conference with
17 the taxpayer to resolve as many issues as possible by:

- 18 (1) discussing the specifics of the taxpayer's reassessment;
- 19 (2) reviewing the taxpayer's property record card;
- 20 (3) explaining to the taxpayer how the reassessment was
- 21 determined;
- 22 (4) providing to the taxpayer information about the statutes, rules,
- 23 and guidelines that govern the determination of the reassessment;
- 24 (5) noting and considering objections of the taxpayer;
- 25 (6) considering all errors alleged by the taxpayer; and
- 26 (7) otherwise educating the taxpayer about:
- 27 (A) the taxpayer's reassessment;
- 28 (B) the reassessment process; and
- 29 (C) the reassessment appeal process.

30 Not later than ten (10) days after the conference, the county or township
31 official referred to in subsection (a) shall forward to the county auditor
32 and the county property tax assessment board of appeals the results of
33 the conference on a form prescribed by the department of local
34 government finance that must be completed and signed by the taxpayer
35 and the official. The official and the taxpayer shall each retain a copy
36 of the form for their records.

37 (g) The form submitted to the county property tax assessment board
38 of appeals under subsection (f) must specify the following:

- 39 (1) The physical characteristics of the property in issue that bear on
- 40 the assessment determination.
- 41 (2) All other facts relevant to the assessment determination.
- 42 (3) A list of the reasons the taxpayer believes that the assessment
- 43 determination by the county or township official referred to in
- 44 subsection (a) is incorrect.
- 45 (4) An indication of the agreement or disagreement by the official
- 46 with each item listed under subdivision (3).
- 47 (5) The reasons the official believes that the assessment
- 48 determination is correct.
- 49 (h) If after the conference there are no items listed on the form

submitted to the county property tax assessment board of appeals under subsection (f) on which there is disagreement:

(1) the county or township official referred to in subsection (a) shall give notice to the taxpayer, the county property tax assessment board of appeals, and the county assessor of the assessment in the amount agreed to by the taxpayer and the official; and

(2) the county property tax assessment board of appeals may reserve the right to change the assessment under IC 6-1.1-13.

(i) If after the conference there are items listed in the form submitted under subsection (f) on which there is disagreement, the county property tax assessment board of appeals shall hold a hearing. The taxpayer and county or township official whose original determination is under review are parties to the proceeding before the board of appeals. Except as provided in subsections (k) and (l), the hearing must be held not later than ninety (90) days after the official's receipt of the taxpayer's written request for a preliminary conference under subsection (b). The taxpayer may present the taxpayer's reasons for disagreement with the assessment. The county or township official referred to in subsection (a) must present the basis for the assessment decision on these items to the board of appeals at the hearing and the reasons the taxpayer's appeal should be denied on those items. The board of appeals shall have a written record of the hearing and prepare a written statement of findings and a decision on each item not later than sixty (60) days after the hearing, except as provided in subsections (k) and (l).

(j) If the township assessor does not attempt to hold a preliminary conference, the taxpayer may file a request in writing with the county assessor for a hearing before the property tax assessment board of appeals. If the board determines that the county or township official referred to in subsection (a) did not attempt to hold a preliminary conference, the board shall hold a hearing. The taxpayer and the county or township official whose original determination is under review are parties to the proceeding before the board of appeals. The hearing must be held not later than ninety (90) days after the receipt by the board of appeals of the taxpayer's hearing request under this subsection. The requirements of subsection (i) with respect to:

(1) participation in the hearing by the taxpayer and the township assessor or county assessor; and

(2) the procedures to be followed by the county board; apply to a hearing held under this subsection.

(k) This subsection applies to a county having a population of more than three hundred thousand (300,000). In the case of a petition filed after December 31, 2000, the county property tax assessment board of appeals shall:

(1) hold its hearing not later than one hundred eighty (180) days instead of ninety (90) days after the filing of the petition; and

(2) have a written record of the hearing and prepare a written statement of findings and a decision on each item not later than one hundred twenty (120) days after the hearing.

(l) This subsection applies to a county having a population of three

hundred thousand (300,000) or less. With respect to an appeal of a real property assessment that takes effect on the assessment date on which a general reassessment of real property takes effect under IC 6-1.1-4-4, the county property tax assessment board of appeals shall:

(1) hold its hearing not later than one hundred eighty (180) days instead of ninety (90) days after the filing of the petition; and

(2) have a written record of the hearing and prepare a written statement of findings and a decision on each item not later than one hundred twenty (120) days after the hearing.

(m) The county property tax assessment board of appeals:

(1) may not require a taxpayer to file documentary evidence or summaries of statements of testimonial evidence before the hearing required under subsection (i) or (j); and

(2) may amend the form submitted under subsection (f) if the board determines that the amendment is warranted.

(n) Upon receiving a request for a preliminary conference under subsection (b), the county or township official referred to in subsection (a) shall notify the county auditor in writing that the assessment is under appeal. With respect to an appeal of the assessment of real property or personal property filed after June 30, 2005, the notice must include the appellant's name and address, the assessed value of the appealed items for the assessment date immediately preceding the assessment date for which the appeal was filed, and the assessed value of the appealed items on the most recent assessment date. If the county auditor determines that the assessed value of the appealed items constitutes at least one percent (1%) of the total gross certified assessed value of a particular taxing unit for the assessment date immediately preceding the assessment date for which the appeal was filed, the county auditor shall send a copy of the notice to the affected taxing unit. Failure of the county auditor to send a copy of the notice to the affected taxing unit does not affect the validity of the appeal or delay the appeal.

SECTION 3. IC 6-1.1-17-3, AS AMENDED BY P.L.234-2005, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) The proper officers of a political subdivision shall formulate its estimated budget and its proposed tax rate and tax levy on the form prescribed by the department of local government finance and approved by the state board of accounts. The political subdivision shall give notice by publication to taxpayers of:

(1) the estimated budget;

(2) the estimated maximum permissible levy;

(3) the current and proposed tax levies of each fund; and

(4) the amounts of excessive levy appeals to be requested.

In the notice, the political subdivision shall also state the time and place at which a public hearing will be held on these items. The notice shall be published twice in accordance with IC 5-3-1 with the first publication at least ten (10) days before the date fixed for the public hearing. **Beginning in 2009, the duties required by this subsection must be completed before August 10 of the calendar year. A political subdivision shall provide the estimated budget and levy**

information required for the notice under subsection (b) to the county auditor on the schedule determined by the department of local government finance.

(b) Beginning in 2009, before August 10 of a calendar year, the county auditor shall mail to the last known address of each person liable for any property taxes, as shown on the tax duplicate, or to the last known address of the most recent owner shown in the transfer book, a statement that includes:

(1) the assessed valuation as of the assessment date in the current calendar year of tangible property on which the person will be liable for property taxes first due and payable in the immediately succeeding calendar year and notice to the person of the opportunity to appeal the assessed valuation under IC 6-1.1-15-1(b);

(2) the amount of property taxes for which the person will be liable to each political subdivision on the tangible property for taxes first due and payable in the immediately succeeding calendar year, taking into account all factors that affect that liability, including:

(A) the estimated budget and proposed tax rate and tax levy formulated by the political subdivision under subsection (a);

(B) any deductions or exemptions that apply to the assessed valuation of the tangible property;

(C) any credits that apply in the determination of the tax liability; and

(D) the county auditor's best estimate of the effects on the tax liability that might result from actions of the county board of tax adjustment or the department of local government finance;

(3) a prominently displayed notation that:

(A) the estimate under subdivision (2) is based on the best information available at the time the statement is mailed; and

(B) based on various factors, including potential actions by the county board of tax adjustment or the department of local government finance, it is possible that the tax liability as finally determined will differ substantially from the estimate;

(4) comparative information showing the amount of property taxes for which the person is liable to each political subdivision on the tangible property for taxes first due and payable in the current year; and

(5) the date, time, and place at which the political subdivision will hold a public hearing on the political subdivision's estimated budget and proposed tax rate and tax levy as required under subsection (a).

(c) The department of local government finance shall:

(1) prescribe a form for; and

(2) provide assistance to county auditors in preparing;

statements under subsection (b). Mailing the statement described

1 **in subsection (b) to a mortgagee maintaining an escrow account for**
 2 **a person who is liable for any property taxes shall not be construed**
 3 **as compliance with subsection (b).**

4 ~~(b)~~ **(d)** The board of directors of a solid waste management district
 5 established under IC 13-21 or IC 13-9.5-2 (before its repeal) may
 6 conduct the public hearing required under subsection (a):

7 (1) in any county of the solid waste management district; and

8 (2) in accordance with the annual notice of meetings published
 9 under IC 13-21-5-2.

10 ~~(c)~~ **(e)** The trustee of each township in the county shall estimate the
 11 amount necessary to meet the cost of township assistance in the
 12 township for the ensuing calendar year. The township board shall adopt
 13 with the township budget a tax rate sufficient to meet the estimated cost
 14 of township assistance. The taxes collected as a result of the tax rate
 15 adopted under this subsection are credited to the township assistance
 16 fund.

17 ~~(d)~~ **(f)** A county shall adopt with the county budget and the
 18 department of local government finance shall certify under section 16
 19 of this chapter a tax rate sufficient to raise the levy necessary to pay the
 20 following:

21 (1) The cost of child services (as defined in IC 12-19-7-1) of the
 22 county payable from the family and children's fund.

23 (2) The cost of children's psychiatric residential treatment services
 24 (as defined in IC 12-19-7.5-1) of the county payable from the
 25 children's psychiatric residential treatment services fund.

26 A budget, tax rate, or tax levy adopted by a county fiscal body or
 27 approved or modified by a county board of tax adjustment that is less
 28 than the levy necessary to pay the costs described in subdivision (1) or
 29 (2) shall not be treated as a final budget, tax rate, or tax levy under
 30 section 11 of this chapter.

31 SECTION 4. IC 6-1.1-21-3 IS AMENDED TO READ AS
 32 FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:
 33 Sec. 3. (a) The department, with the assistance of the auditor of state
 34 and the department of local government finance, shall determine an
 35 amount equal to the eligible property tax replacement amount, which is
 36 the estimated property tax replacement.

37 (b) The department of local government finance shall certify to the
 38 department the amount of homestead credits provided under
 39 IC 6-1.1-20.9 which are allowed by the county for the particular
 40 calendar year. **The department of local government finance shall**
 41 **make the certification based on the best information available at**
 42 **the time the certification is made.**

43 (c) If there are one (1) or more taxing districts in the county that
 44 contain all or part of an economic development district that meets the
 45 requirements of section 5.5 of this chapter, the department of local
 46 government finance shall estimate an additional distribution for the
 47 county in the same report required under subsection (a). This additional
 48 distribution equals the sum of the amounts determined under the
 49 following STEPS for all taxing districts in the county that contain all or

part of an economic development district:

STEP ONE: Estimate that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the estimated property tax replacement amount attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

(d) The sum of the amounts determined under subsections (a) through (c) is the particular county's estimated distribution for the calendar year.

SECTION 5. IC 6-1.1-20-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. (a) ~~If a petition and remonstrance process is commenced under section 3.2 of this chapter, This section applies to a political subdivision that adopts an ordinance or a resolution making a preliminary determination to issue bonds or enter into a lease. During the period commencing with the adoption of the ordinance or resolution and, if a petition and remonstrance process is commenced under section 3.2 of this chapter, continuing through the~~ sixty (60) day period commencing with the notice under section 3.2(1) of this chapter, the political subdivision seeking to issue bonds or enter into a lease for the proposed controlled project may not promote a position on the petition or remonstrance by doing any of the following:

(1) Allowing facilities or equipment, including mail and messaging systems, owned by the political subdivision to be used for public relations purposes to promote a position on the petition or remonstrance, unless equal access to the facilities or equipment is given to persons with a position opposite to that of the political subdivision.

(2) Making an expenditure of money from a fund controlled by the political subdivision to promote a position on the petition or remonstrance ~~(except as necessary to explain the project to the public)~~ or to pay for the gathering of signatures on a petition or remonstrance. This subdivision does not prohibit a political subdivision from making an expenditure of money to an attorney, an architect, a construction manager, or a financial adviser for professional services provided with respect to a controlled project.

(3) Using an employee to promote a position on the petition or remonstrance during the employee's normal working hours or paid overtime, **or otherwise compelling an employee to promote a position on the petition or remonstrance at any time.**

(4) In the case of a school corporation, promoting a position on a petition or remonstrance by:

(A) using students to transport written materials to their residences **or in any way directly involving students in a**

1 **school organized promotion of a position; or**

2 **(B) including a statement within another communication sent to**
 3 **the students' residences.**

4 However, this section does not prohibit an employee of the political
 5 subdivision from carrying out duties with respect to a petition or
 6 remonstrance that are part of the normal and regular conduct of the
 7 employee's office or agency.

8 **(b) A person may not solicit or collect signatures for a petition or**
 9 **remonstrance on property owned or controlled by the political**
 10 **subdivision.**

11 **(c) The staff and employees of a school corporation may not**
 12 **personally identify a student as the child of a parent or guardian**
 13 **who supports or opposes a petition or remonstrance.**

14 **(d) A person or an organization that has a contract or**
 15 **arrangement (whether formal or informal) with a school**
 16 **corporation for the use of any of the school corporation's facilities**
 17 **may not spend any money to promote a position on the petition or**
 18 **remonstrance. A person or an organization that violates this**
 19 **subsection commits a Class A infraction.**

20 **(e) An attorney, an architect, a construction manager, or a**
 21 **financial adviser for professional services provided with respect to**
 22 **a controlled project may not spend any money to promote a**
 23 **position on the petition or remonstrance. A person who violates**
 24 **this subsection:**

25 **(1) commits a Class A infraction; and**

26 **(2) is barred from performing any services with respect to the**
 27 **controlled project.**

28 SECTION 6.IC 6-1.1-20-11 IS ADDED TO THE INDIANA CODE
 29 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
 30 JULY 1, 2006]: **Sec. 11. (a) This section applies to the**
 31 **determination of the validity of a signature on a document required**
 32 **for a petition and remonstrance procedure under this chapter.**

33 **(b) If:**

34 **(1) the validity of a signature is uncertain; and**

35 **(2) this section does not establish a standard to be applied in**
 36 **that case;**

37 **a reasonable doubt must be resolved in favor of the validity of the**
 38 **signature.**

39 **(c) Whenever the name of an individual, as printed or signed,**
 40 **contains a minor variation from the name of the individual as set**
 41 **forth in the relevant county records, the signature is considered**
 42 **valid.**

43 **(d) Whenever the residence address or mailing address of an**
 44 **individual contains a minor variation from the residence address**
 45 **or mailing address as set forth in the relevant county records, the**
 46 **signature is considered valid.**

47 **(e) Notwithstanding subsection (c) or (d), if the residence address**
 48 **or mailing address of an individual contains a substantial variation**
 49 **from the residence address or mailing address as set forth in the**

relevant county records, the signature is considered invalid.

(f) If the signature of an individual does not substantially conform with the signature of the individual in the relevant county records, the signature is considered invalid. In determining whether a signature substantially conforms with an individual's in the relevant county records, consideration shall be given to whether that lack of conformity may reasonably be attributed to the age, disability, or impairment of the individual.

SECTION 7. IC 6-1.1-20.6-4, AS ADDED BY P.L.246-2005, SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. As used in this chapter, "qualified residential property" refers to any of the following that a county fiscal body specifically makes eligible for a credit under this chapter in an ordinance adopted under section 6 of this chapter **and to all the following for purposes of section 6.5 of this chapter:**

- (1) An apartment complex.
- (2) A homestead.
- (3) Residential rental property.

SECTION 8. IC 6-1.1-20.6-6, AS ADDED BY P.L.246-2005, SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. **(a) This section applies only to property taxes first due and payable before:**

- (1) January 1, 2007, in Lake County; and**
- (2) January 1, 2008, in a county other than Lake County.**

~~(a)~~ **(b)** A county fiscal body:

- (1) may adopt an ordinance to authorize the application of the credit under this chapter for one (1) or more calendar years to qualified residential property in the county; and
- (2) must adopt an ordinance under subdivision (1) before July 1 of a calendar year to authorize the credit under this chapter for property taxes first due and payable in the immediately succeeding calendar year.

~~(b)~~ **(c)** An ordinance adopted under this section must specify the categories of residential property listed in section 4 of this chapter that are eligible for the credit provided under this chapter.

SECTION 9. IC 6-1.1-20.6-6.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 6.5. (a) This subsection applies only to property taxes first due and payable after December 31, 2006, and before January 1, 2007, attributable to qualified residential property located in Lake County. A person is entitled to a credit each calendar year under section 7(a) of this chapter against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's qualified residential property. However, the county fiscal body may, by ordinance adopted before January 1, 2007, limit the application of the credit granted by this subsection to homesteads.**

(b) This subsection applies only to property taxes first due and payable after December 31, 2007, and before January 1, 2010. A

1 person is entitled to a credit each calendar year under section 7(a)
 2 of this chapter against the person's property tax liability for
 3 property taxes first due and payable in that calendar year
 4 attributable to the person's qualified residential property.

5 (c) This subsection applies only to property taxes first due and
 6 payable after December 31, 2009. A person is entitled to a credit
 7 each calendar year under section 7(b) of this chapter against the
 8 person's property tax liability for property taxes first due and
 9 payable in that calendar year attributable to the person's real
 10 property and personal property.

11 SECTION 10. IC 6-1.1-20.6-7, AS ADDED BY P.L.246-2005,
 12 SECTION 62, IS AMENDED TO READ AS FOLLOWS
 13 [EFFECTIVE UPON PASSAGE]: Sec. 7. ~~If the~~ (a) In the case of a
 14 credit ~~under this chapter~~ is authorized under ~~section 2~~ section 6 of this
 15 chapter or provided by section 6.5(a) or 6.5(b) of this chapter for
 16 property taxes first due and payable in a calendar year:

17 (1) a person is entitled to a credit against the person's property tax
 18 liability for property taxes first due and payable in that calendar
 19 year attributable to the person's qualified residential property
 20 located in the county; and

21 (2) the amount of the credit is the amount by which the person's
 22 property tax liability attributable to the person's qualified
 23 residential property for property taxes first due and payable in that
 24 calendar year exceeds two percent (2%) of the gross assessed value
 25 that is the basis for determination of property taxes on the qualified
 26 residential property for property taxes first due and payable in that
 27 calendar year.

28 (b) In the case of a credit provided by section 6.5(c) of this
 29 chapter for property taxes first due and payable in a calendar
 30 year:

31 (1) a person is entitled to a credit against the person's property
 32 tax liability for property taxes first due and payable in that
 33 calendar year attributable to the person's real property and
 34 personal property located in the county; and

35 (2) the amount of the credit is the amount by which the
 36 person's property tax liability attributable to the person's real
 37 property and personal property for property taxes first due
 38 and payable in that calendar year exceeds two percent (2%) of
 39 the gross assessed value that is the basis for determination of
 40 property taxes on the real property and personal property for
 41 property taxes first due and payable in that calendar year.

42 SECTION 11. IC 6-1.1-20.6-8, AS ADDED BY P.L.246-2005,
 43 SECTION 62, IS AMENDED TO READ AS FOLLOWS
 44 [EFFECTIVE UPON PASSAGE]: Sec. 8. A person is not required to
 45 file an application for the credit under this chapter. The county auditor
 46 shall:

47 (1) identify ~~qualified residential~~ the property in the county eligible
 48 for the credit under this chapter; and

49 (2) apply the credit under this chapter to property tax liability on

the identified ~~qualified residential~~ property.

SECTION 12. IC 6-1.1-20.6-9, AS ADDED BY P.L.246-2005, SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. **(a) This section applies only to credits under this chapter against property taxes first due and payable before January 1, 2007.**

~~(a)~~ **(b)** The fiscal body of a county may adopt an ordinance to authorize the county fiscal officer to borrow money repayable over a term not to exceed five (5) years in an amount sufficient to compensate the political subdivisions located wholly or in part in the county for the reduction of property tax collections in a calendar year that results from the application of the credit under this chapter for that calendar year.

~~(b)~~ **(c)** The county fiscal officer shall distribute in a calendar year to each political subdivision located wholly or in part in the county loan proceeds under subsection ~~(a)~~ **(b)** for that calendar year in the amount by which the property tax collections of the political subdivision in that calendar year are reduced as a result of the application of the credit under this chapter for that calendar year.

~~(c)~~ **(d)** If the county fiscal officer distributes money to political subdivisions under subsection ~~(b)~~ **(c)**, the political subdivisions that receive the distributions shall repay the loan under subsection ~~(a)~~ **(b)** over the term of the loan. Each political subdivision that receives a distribution under subsection ~~(b)~~ **(c)**:

(1) shall:

(A) appropriate for each year in which the loan is to be repaid an amount sufficient to pay the part of the principal and interest on the loan attributable to the distribution received by the political subdivision under subsection ~~(b)~~ **(c)**; and

(B) raise property tax revenue in each year in which the loan is to be repaid in the amount necessary to meet the appropriation under clause (A); and

(2) other than the county, shall transfer to the county fiscal officer money dedicated under this section to repayment of the loan in time to allow the county to meet the loan repayment schedule.

~~(d)~~ **(e)** Property taxes imposed under subsection ~~(c)~~ **(1)(B)** ~~(d)~~ **(1)(B)** are subject to levy limitations under IC 6-1.1-18.5 or IC 6-1.1-19.

~~(e)~~ **(f)** The obligation to:

(1) repay; or

(2) contribute to the repayment of;

the loan under subsection ~~(a)~~ **(b)** is not a basis for a political subdivision to obtain an excessive tax levy under IC 6-1.1-18.5 or IC 6-1.1-19.

~~(f)~~ **(g)** The application of the credit under this chapter results in a reduction of the property tax collections of each political subdivision in which the credit is applied. A political subdivision may not increase its property tax levy to make up for that reduction.

(h) The county auditor shall in each calendar year notify each political subdivision in which the credit under this chapter is applied of the reduction referred to in subsection (b) for the

political subdivision for that year.

SECTION 13. IC 6-1.1-20.6-9.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 9.5. (a) This section applies only to credits under this chapter against property taxes first due and payable after December 31, 2006.**

(b) The application of the credit under this chapter results in a reduction of the property tax collections of each political subdivision in which the credit is applied. A political subdivision may not increase its property tax levy to make up for that reduction.

(c) The county auditor shall in each calendar year notify each political subdivision in which the credit under this chapter is applied of the reduction of property tax collections referred to in subsection (b) for the political subdivision for that year.

(d) A political subdivision may not borrow money to compensate the political subdivision or any other political subdivision for the reduction of property tax collections referred to in subsection (b).

SECTION 14. IC 6-1.1-20.9-2, AS AMENDED BY P.L.246-2005, SECTION 63, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]: **Sec. 2. (a)** Except as otherwise provided in section 5 of this chapter, an individual who on March 1 of a particular year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a credit against the property taxes which the individual pays on the individual's homestead. However, only one (1) individual may receive a credit under this chapter for a particular homestead in a particular year.

(b) The amount of the credit to which the individual is entitled equals the product of:

(1) the percentage prescribed in subsection (d); multiplied by

(2) the amount of the individual's property tax liability, as that term is defined in IC 6-1.1-21-5, which is:

(A) attributable to the homestead during the particular calendar year; and

(B) determined after the application of the property tax replacement credit under IC 6-1.1-21.

(c) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead, all deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property.

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%

1	1997	6%
2	1998 through 2002	10%
3	2003 and thereafter through 2005	20%
4	2006	28%
5	2007 and thereafter	20%

6 However, the property tax replacement fund board established under
7 IC 6-1.1-21-10 shall increase the percentage of the credit provided in
8 the schedule for any year if the budget agency determines that an
9 increase is necessary to provide the minimum tax relief authorized under
10 IC 6-1.1-21-2.5. If the board increases the percentage of the credit
11 provided in the schedule for any year, the percentage of the credit for the
12 immediately following year is the percentage provided in the schedule
13 for that particular year, unless as provided in this subsection the board
14 must increase the percentage of the credit provided in the schedule for
15 that particular year. However, the percentage credit allowed in a
16 particular county for a particular year shall be increased if on January
17 1 of a year an ordinance adopted by a county income tax council was in
18 effect in the county which increased the homestead credit. The amount
19 of the increase equals the amount designated in the ordinance.

20 (e) Before October 1 of each year, the assessor shall furnish to the
21 county auditor the amount of the assessed valuation of each homestead
22 for which a homestead credit has been properly filed under this chapter.

23 (f) The county auditor shall apply the credit equally to each
24 installment of taxes that the individual pays for the property.

25 (g) Notwithstanding the provisions of this chapter, a taxpayer other
26 than an individual is entitled to the credit provided by this chapter if:

- 27 (1) an individual uses the residence as the individual's principal
28 place of residence;
- 29 (2) the residence is located in Indiana;
- 30 (3) the individual has a beneficial interest in the taxpayer;
- 31 (4) the taxpayer either owns the residence or is buying it under a
32 contract, recorded in the county recorder's office, that provides that
33 the individual is to pay the property taxes on the residence; and
- 34 (5) the residence consists of a single-family dwelling and the real
35 estate, not exceeding one (1) acre, that immediately surrounds that
36 dwelling.

37 SECTION 15. IC 6-1.1-22-8 IS AMENDED TO READ AS
38 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 8. (a) The county
39 treasurer shall either:

- 40 (1) mail to the last known address of each person liable for any
41 property taxes or special assessment, as shown on the tax
42 duplicate or special assessment records, or to the last known
43 address of the most recent owner shown in the transfer book a
44 statement of current and delinquent taxes and special assessments;
45 or
- 46 (2) transmit by written, electronic, or other means to a mortgagee
47 maintaining an escrow account for a person who is liable for any
48 property taxes or special assessments, as shown on the tax
49 duplicate or special assessment records a statement of current and

delinquent taxes and special assessments.

(b) The county treasurer may include the following in the statement:

(1) An itemized listing for each property tax levy, including:

(A) the amount of the tax rate;

(B) the entity levying the tax owed; and

(C) the dollar amount of the tax owed.

(2) Information designed to inform the taxpayer or mortgagee clearly and accurately of the manner in which the taxes billed in the tax statement are to be used.

A form used and the method by which the statement and information, if any, are transmitted must be approved by the state board of accounts. The county treasurer may mail or transmit the statement and information, if any, one (1) time each year at least fifteen (15) days before the date on which the first or only installment is due. Whenever a person's tax liability for a year is due in one (1) installment under IC 6-1.1-7-7 or section 9 of this chapter, a statement that is mailed must include the date on which the installment is due and denote the amount of money to be paid for the installment. Whenever a person's tax liability is due in two (2) installments, a statement that is mailed must contain the dates on which the first and second installments are due and denote the amount of money to be paid for each installment.

(c) All payments of property taxes and special assessments shall be made to the county treasurer. The county treasurer, when authorized by the board of county commissioners, may open temporary offices for the collection of taxes in cities and towns in the county other than the county seat.

(d) Before July 1, 2004, the department of local government finance shall designate five (5) counties to participate in a pilot program to implement the requirements of subsection (e). The department shall immediately notify the county treasurer, county auditor, and county assessor in writing of the designation under this subsection. The legislative body of a county not designated for participation in the pilot program may adopt an ordinance to implement the requirements of subsection (e). The legislative body shall submit a copy of the ordinance to the department of local government finance, which shall monitor the county's implementation of the requirements of subsection (e) as if the county were a participant in the pilot program. The requirements of subsection (e) apply:

(1) only in:

(A) a county designated to participate in a pilot program under this subsection, for property taxes first due and payable after December 31, 2004, and before January 1, 2008; or

(B) a county adopting an ordinance under this subsection, for property taxes first due and payable after December 31, 2003, or December 31, 2004 (as determined in the ordinance), and before January 1, 2008; and

(2) in all counties for taxes first due and payable after December 31, 2007.

(e) Subject to subsection (d), regardless of whether a county

1 treasurer transmits a statement of current and delinquent taxes and
 2 special assessments to a person liable for the taxes under subsection
 3 (a)(1) or to a mortgagee under subsection (a)(2), the county treasurer
 4 shall mail the following information to the last known address of each
 5 person liable for the property taxes or special assessments or to the last
 6 known address of the most recent owner shown in the transfer book.
 7 The county treasurer shall mail the information not later than the date
 8 the county treasurer transmits a statement for the property under
 9 subsection (a)(1) or (a)(2). The county treasurer, county auditor, and
 10 county assessor shall cooperate to generate the information to be
 11 included on the form. The information that must be provided is the
 12 following:

13 (1) A breakdown showing the total property tax and special
 14 assessment liability and the amount of the taxpayer's liability that
 15 will be distributed to each taxing unit in the county.

16 (2) A comparison showing any change in the assessed valuation
 17 for the property as compared to the previous year.

18 (3) A comparison showing any change in the property tax and
 19 special assessment liability for the property as compared to the
 20 previous year. The information required under this subdivision
 21 must identify:

22 (A) the amount of the taxpayer's liability distributable to each
 23 taxing unit in which the property is located in the current year
 24 and in the previous year; and

25 (B) the percentage change, if any, in the amount of the
 26 taxpayer's liability distributable to each taxing unit in which
 27 the property is located from the previous year to the current
 28 year.

29 (4) An explanation of the following:

30 (A) The homestead credit and all property tax deductions.

31 (B) The procedure and deadline for filing for the homestead
 32 credit and each deduction.

33 (C) The procedure that a taxpayer must follow to:

34 (i) appeal a current assessment; or

35 (ii) petition for the correction of an error related to the
 36 taxpayer's property tax and special assessment liability.

37 (D) The forms that must be filed for an appeal or a petition
 38 described in clause (C).

39 The department of local government finance shall provide the
 40 explanation required by this subdivision to each county treasurer.

41 (5) A checklist that shows:

42 (A) the homestead credit and all property tax deductions; and

43 (B) whether the homestead credit and each property tax
 44 deduction applies in the current statement for the property
 45 transmitted under subsection (a)(1) or (a)(2).

46 (f) The information required to be mailed under subsection (e) must
 47 be simply and clearly presented and understandable to the average
 48 individual.

49 (g) A county that incurs:

(1) initial computer programming costs directly related to implementation of the requirements of subsection (e); or

(2) printing costs directly related to mailing information under subsection (e);

shall submit an itemized statement of the costs to the department of local government finance for reimbursement from the state. The treasurer of state shall pay a claim approved by the department of local government finance and submitted under this section on a warrant of the auditor of state. However, the treasurer of state may not pay any additional claims under this subsection after the total amount of claims paid reaches fifty thousand dollars (\$50,000).

(h) This section expires January 1, 2008.

SECTION 16. IC 6-1.1-22-8.1 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 8.1. (a) This section applies only to property taxes and special assessments first due and payable after December 31, 2007.**

(b) The county treasurer shall:

(1) mail to the last known address of each person liable for any property taxes or special assessment, as shown on the tax duplicate or special assessment records, or to the last known address of the most recent owner shown in the transfer book; and

(2) transmit by written, electronic, or other means to a mortgagee maintaining an escrow account for a person who is liable for any property taxes or special assessments, as shown on the tax duplicate or special assessment records;

a statement in the form required under subsection (c).

(c) The department of local government finance shall prescribe a form, subject to the approval of the state board of accounts, for the statement under subsection (b) that includes at least the following:

(1) A statement of the taxpayer's current and delinquent taxes and special assessments.

(2) A breakdown showing the total property tax and special assessment liability and the amount of the taxpayer's liability that will be distributed to each taxing unit in the county.

(3) An itemized listing for each property tax levy, including:

(A) the amount of the tax rate;

(B) the entity levying the tax owed; and

(C) the dollar amount of the tax owed.

(4) Information designed to show the manner in which the taxes and special assessments billed in the tax statement are to be used.

(5) A comparison showing any change in the assessed valuation for the property as compared to the previous year.

(6) A comparison showing any change in the property tax and special assessment liability for the property as compared to the previous year. The information required under this

subdivision must identify:

(A) the amount of the taxpayer's liability distributable to each taxing unit in which the property is located in the current year and in the previous year; and

(B) the percentage change, if any, in the amount of the taxpayer's liability distributable to each taxing unit in which the property is located from the previous year to the current year.

(7) An explanation of the following:

(A) The homestead credit and all property tax deductions.

(B) The procedure and deadline for filing for the homestead credit and each deduction.

(C) The procedure that a taxpayer must follow to:

(i) appeal a current assessment; or

(ii) petition for the correction of an error related to the taxpayer's property tax and special assessment liability.

(D) The forms that must be filed for an appeal or a petition described in clause (C).

The department of local government finance shall provide the explanation required by this subdivision to each county treasurer.

(8) A checklist that shows:

(A) the homestead credit and all property tax deductions; and

(B) whether the homestead credit and each property tax deduction applies in the current statement for the property transmitted under subsection (b).

(d) The county treasurer may mail or transmit the statement one (1) time each year at least fifteen (15) days before the date on which the first or only installment is due. Whenever a person's tax liability for a year is due in one (1) installment under IC 6-1.1-7-7 or section 9 of this chapter, a statement that is mailed must include the date on which the installment is due and denote the amount of money to be paid for the installment. Whenever a person's tax liability is due in two (2) installments, a statement that is mailed must contain the dates on which the first and second installments are due and denote the amount of money to be paid for each installment.

(e) All payments of property taxes and special assessments shall be made to the county treasurer. The county treasurer, when authorized by the board of county commissioners, may open temporary offices for the collection of taxes in cities and towns in the county other than the county seat.

(f) The county treasurer, county auditor, and county assessor shall cooperate to generate the information to be included in the statement under subsection (c).

(g) The information to be included in the statement under subsection (c) must be simply and clearly presented and understandable to the average individual.

(h) After December 31, 2007, a reference in a law or rule to IC 6-1.1-22-8 shall be treated as a reference to this section.

SECTION 17. IC 6-2.3-1-3.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 3.5. "Gross consideration" refers to anything of value, including cash or other tangible or intangible property, that a taxpayer pays in consideration for the retail purchase of utility services for consumption before deduction of any costs incurred in providing the utility services.**

SECTION 18. IC 6-2.3-3-11 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 11. Subject to IC 6-2.3-2 and this chapter, gross receipts derived from activities or businesses or any other sources within Indiana include furnishing utility services to an end user in Indiana for consumption in Indiana, regardless of whether the:**

- (1) utility services are delivered through the pipelines, transmission lines, or other property of another person;
- (2) taxpayer providing the utility service is or is not a resident or a domiciliary of Indiana; or
- (3) transaction is subject to a deduction under IC 6-2.3-5-5.

SECTION 19. IC 6-2.3-5.5 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 5.5. Utility Services Use Tax

Sec. 1. An excise tax, known as the utility services use tax, is imposed on the retail consumption of utility services in Indiana that are billed after June 30, 2006.

Sec. 2. The utility services use tax is measured by the gross consideration received by the seller from the sale of the commodities or services listed in IC 6-2.3-1-14(1) through IC 6-2.3-1-14(6).

Sec. 3. The utility services use tax is imposed at the same rate as the utility receipts tax under IC 6-2.3-2-2.

Sec. 4. The retail consumption of utility services in Indiana is exempt from the utility services use tax if the:

- (1) transaction is subject to utility receipts tax (including a public utility (as defined in IC 8-1-2-1) and the utility receipts tax is paid on the gross receipts from the utility services;
- (2) gross receipts from the transaction are not taxable under IC 6-2.3-3 and the utility services are consumed for the purposes for which the gross receipts were excluded from taxation;
- (3) utility services were acquired in a transaction that is wholly or partially exempt from the utility receipts tax under IC 6-2.3-4 and the utility services are consumed for the purpose for which the utility services were exempted; or
- (4) utility services were acquired in a transaction that is wholly or partially subject to a deduction from the utility

receipts tax under IC 6-2.3-5-6 and the utility services are consumed for the purpose for which the utility services deduction was given.

Sec. 5. A person is entitled to a credit against the utility services use tax imposed on the retail consumption of utility services equal to the amount, if any, of utility services use tax paid to another state. Payment of a general sales tax, purchase tax, or use tax to another state does not qualify for a credit under this section.

Sec. 6. The person who consumes utility services is personally liable for the utility services use tax.

Sec. 7. The department shall establish procedures for the collection of the utility services use tax from users, including deposit and reporting requirements, deposit dates, and reporting dates. Failure to comply with the procedures is subject to the penalties in IC 6-8.1.

Sec. 8. Any seller of utility services may elect to register with the department to collect utility services use tax on behalf of persons liable for the utility services use tax imposed under this chapter. A seller must comply with the collection and reporting procedures specified by the department only if the seller enters into an agreement with the department under this section.

Sec. 9. (a) This subsection applies only to a person who receives utility services from a seller that enters into an agreement under section 8 of this chapter. The person liable for the utility services use tax shall pay the tax to the seller from whom the person purchased the utility services, and the seller shall collect the tax as an agent for the state, if the seller has departmental permission from the department to collect the tax.

(b) In all other cases, the person liable for the utility services use tax shall pay the utility services use tax directly to the department.

Sec. 10. When a seller collects the utility services use tax from a person, the seller shall, upon request, issue a receipt to that person for the utility services use tax collected.

Sec. 11. If:

(1) the department assesses the utility services use tax against a person for the person's retail consumption of utility services; and

(2) the person has already paid the utility services use tax in relation to the utility services to a seller permitted to collect the utility services use tax under section 8 of this chapter;

the person may avoid paying the utility services use tax to the department if the person can produce a receipt or other written evidence showing that the person paid the utility services use tax to the seller.

Sec. 12. (a) An individual who:

(1) is an employee, officer, or member of a corporation, partnership, or limited liability company that is a seller of utility services; and

(2) has a duty to remit utility services use tax to the

department under an agreement entered into by the seller of utility services under section 8 of this chapter by virtue of the individual's responsibilities within the corporation, partnership, or limited liability company; holds those taxes in trust for the state and is personally liable for the payment of those taxes, plus any penalties and interest attributable to those taxes, to the state.

(b) An individual described in subsection (a) who knowingly fails to collect or remit the specified taxes to the state commits a Class D felony.

SECTION 20. IC 6-2.5-3-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. (a) An excise tax, known as the use tax, is imposed on the storage, use, or consumption of tangible personal property in Indiana if the property was acquired in a retail transaction, regardless of the location of that transaction or of the retail merchant making that transaction.

(b) The use tax is also imposed on the storage, use, or consumption of a vehicle, an aircraft, or a watercraft, if the vehicle, aircraft, or watercraft:

- (1) is acquired in a transaction that is an isolated or occasional sale; and
- (2) is required to be titled, licensed, or registered by this state for use in Indiana.

(c) The use tax is imposed on the addition of tangible personal property to a structure or facility, if, after its addition, the property becomes part of the real estate on which the structure or facility is located. However, the use tax does not apply to additions of tangible personal property described in this subsection, if:

- (1) the state gross retail or use tax has been previously imposed on the sale or use of that property; or
- (2) the ultimate purchaser or recipient of that property would have been exempt from the state gross retail and use taxes if that purchaser or recipient had directly purchased the property from the supplier for addition to the structure or facility.

(d) The use tax is imposed on a person who:

- (1) manufactures, fabricates, or assembles tangible personal property from materials either within or outside Indiana; and**
- (2) uses, stores, distributes, or consumes tangible personal property in Indiana.**

~~(d)~~ (e) Notwithstanding any other provision of this section, the use tax is not imposed on the keeping, retaining, or exercising of any right or power over tangible personal property, if:

- (1) the property is delivered into Indiana by or for the purchaser of the property;
- (2) the property is delivered in Indiana for the sole purpose of being processed, printed, fabricated, or manufactured into, attached to, or incorporated into other tangible personal property; and
- (3) the property is subsequently transported out of state for use

1 solely outside Indiana.

2 SECTION 21. IC 6-2.5-4-5, AS AMENDED BY P.L.203-2005,
3 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
4 JULY 1, 2006]: Sec. 5. (a) As used in this section, a "power subsidiary"
5 means a corporation which is owned or controlled by one (1) or more
6 public utilities that furnish or sell electrical energy, natural or artificial
7 gas, water, steam, or steam heat and which produces power exclusively
8 for the use of those public utilities.

9 (b) A power subsidiary or a person engaged as a public utility is a
10 retail merchant making a retail transaction when the subsidiary or
11 person furnishes or sells electrical energy, natural or artificial gas,
12 water, steam, or steam heating service to a person for commercial or
13 domestic consumption.

14 (c) Notwithstanding subsection (b), a power subsidiary or a person
15 engaged as a public utility is not a retail merchant making a retail
16 transaction in any of the following transactions:

17 (1) The power subsidiary or person provides, installs, constructs,
18 services, or removes tangible personal property which is used in
19 connection with the furnishing of the services or commodities
20 listed in subsection (b).

21 (2) The power subsidiary or person sells the services or
22 commodities listed in subsection (b) to another public utility or
23 power subsidiary described in this section or a person described in
24 section 6 of this chapter.

25 (3) The power subsidiary or person sells the services or
26 commodities listed in subsection (b) to a person for use in
27 manufacturing, mining, production, refining, oil extraction,
28 mineral extraction, irrigation, agriculture, or horticulture.
29 However, this exclusion for sales of the services and commodities
30 only applies if the services are consumed as an essential and
31 integral part of an integrated process that produces tangible
32 personal property and those sales are separately metered for the
33 excepted uses listed in this subdivision, or if those sales are not
34 separately metered but are predominately used by the purchaser
35 for the excepted uses listed in this subdivision.

36 (4) The power subsidiary or person sells the services or
37 commodities listed in subsection (b) and all the following
38 conditions are satisfied:

39 (A) The services or commodities are sold to a business that
40 after June 30, 2004:

41 (i) relocates all or part of its operations to a facility; or
42 (ii) expands all or part of its operations in a facility;
43 located in a military base (as defined in IC 36-7-30-1(c)), a
44 military base reuse area established under IC 36-7-30, the part
45 of an economic development area established under
46 IC 36-7-14.5-12.5 that is or formerly was a military base (as
47 defined in IC 36-7-30-1(c)), a military base recovery site
48 designated under IC 6-3.1-11.5, or a qualified military base
49 enhancement area established under IC 36-7-34.

(B) The business uses the services or commodities in the facility described in clause (A) not later than five (5) years after the operations that are relocated to the facility or expanded in the facility commence.

(C) The sales of the services or commodities are separately metered for use by the relocated or expanded operations.

(D) In the case of a business that uses the services or commodities in a qualified military base enhancement area, the business must satisfy at least one (1) of the following criteria:

(i) The business is a participant in the technology transfer program conducted by the qualified military base (as defined in IC 36-7-34-3).

(ii) The business is a United States Department of Defense contractor.

(iii) The business and the qualified military base have a mutually beneficial relationship evidenced by a memorandum of understanding between the business and the United States Department of Defense.

However, this subdivision does not apply to a business that substantially reduces or ceases its operations at another location in Indiana in order to relocate its operations in an area described in this subdivision, unless the department determines that the business had existing operations in the area described in this subdivision and that the operations relocated to the area are an expansion of the business's operations in the area.

(5) The power subsidiary or person sells services or commodities that:

(A) are referred to in subsection (b); and

(B) qualify as home energy (as defined in IC 6-2.5-5-16.5); to a person who acquires the services or commodities after June 30, 2006, and before July 1, 2007, through home energy assistance (as defined in IC 6-2.5-5-16.5).

SECTION 22. IC 6-2.5-5-16.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 16.5. (a) The following definitions apply throughout this section:**

(1) "Home energy" means electricity, oil, gas, coal, propane, or any other fuel for use as the principal source of heating or cooling in residential dwellings.

(2) "Home energy assistance" means programs administered by the state to supply home energy through the Low Income Home Energy Assistance Block Grant under 42 U.S.C. 8261 et seq.

(b) Transactions involving home energy are exempt from the state gross retail tax if the person acquiring the home energy acquires it after June 30, 2006, and before July 1, 2007, through home energy assistance.

SECTION 23. IC 6-2.5-6-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: **Sec. 9. (a) In**

determining the amount of state gross retail and use taxes which a retail merchant must remit under section 7 of this chapter, the retail merchant shall, subject to subsections (c) and (d), deduct from the retail merchant's gross retail income from retail transactions made during a particular reporting period, an amount equal to the retail merchant's receivables which:

- (1) resulted from retail transactions in which the retail merchant did not collect the state gross retail or use tax from the purchaser;
- (2) resulted from retail transactions on which the retail merchant has previously paid the state gross retail or use tax liability to the department; and
- (3) were written off as an uncollectible debt for federal tax purposes under Section 166 of the Internal Revenue Code during the particular reporting period.

(b) If a retail merchant deducts a receivable under subsection (a) and subsequently collects all or part of that receivable, then the retail merchant shall, subject to subsection (d)(6), include the amount collected as part of the retail merchant's gross retail income from retail transactions for the particular reporting period in which the retail merchant makes the collection.

(c) This subsection applies only to retail transactions occurring after ~~June 30, 2004~~. **December 31, 2006. As used in this subsection, "affiliated group" means any combination of the following:**

- (1) An affiliated group within the meaning provided in Section 1504 of the Internal Revenue Code, except that the ownership percentage in Section 1504(a)(2) of the Internal Revenue Code shall be determined using fifty percent (50%) instead of eighty percent (80%).**
- (2) Two (2) or more partnerships (as defined in IC 6-3-1-19), including limited liability companies and limited liability partnerships, that have the same degree of mutual ownership as an affiliated group described in subdivision (1), as determined under the rules adopted by the department.**

he right to a deduction under this section is **not** assignable ~~only if the retail merchant that paid the state gross retail or use tax liability assigned the right to the deduction in writing; to an individual or entity that is not part of the same affiliated group as the assignor.~~

(d) The following provisions apply to a deduction for a receivable treated as uncollectible debt under subsection (a):

- (1) The deduction does not include interest.
- (2) The amount of the deduction shall be determined in the manner provided by Section 166 of the Internal Revenue Code for bad debts but shall be adjusted to exclude:
 - (A) financing charges or interest;
 - (B) sales or use taxes charged on the purchase price;
 - (C) uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid;
 - (D) expenses incurred in attempting to collect any debt; and
 - (E) repossessed property.

(3) The deduction shall be claimed on the return for the period during which the receivable is written off as uncollectible in the claimant's books and records and is eligible to be deducted for federal income tax purposes. For purposes of this subdivision, a claimant who is not required to file federal income tax returns may deduct an uncollectible receivable on a return filed for the period in which the receivable is written off as uncollectible in the claimant's books and records and would be eligible for a bad debt deduction for federal income tax purposes if the claimant were required to file a federal income tax return.

(4) If the amount of uncollectible receivables claimed as a deduction by a retail merchant for a particular reporting period exceeds the amount of the retail merchant's taxable sales for that reporting period, the retail merchant may file a refund claim under IC 6-8.1-9. However, the deadline for the refund claim shall be measured from the due date of the return for the reporting period on which the deduction for the uncollectible receivables could first be claimed.

(5) If a retail merchant's filing responsibilities have been assumed by a certified service provider (as defined in IC 6-2.5-11-2), the certified service provider may claim, on behalf of the retail merchant, any deduction or refund for uncollectible receivables provided by this section. The certified service provider must credit or refund the full amount of any deduction or refund received to the retail merchant.

(6) For purposes of reporting a payment received on a previously claimed uncollectible receivable, any payments made on a debt or account shall be applied first proportionally to the taxable price of the property and the state gross retail tax or use tax thereon, and secondly to interest, service charges, and any other charges.

(7) A retail merchant claiming a deduction for an uncollectible receivable may allocate that receivable among the states that are members of the streamlined sales and use tax agreement if the books and records of the retail merchant support that allocation.

SECTION 24. IC 6-3-1-3.5, AS AMENDED BY P.L.246-2005, SECTION 69, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3.5. When used in this article, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).

- 1 (4) Subtract one thousand dollars (\$1,000) for:
 - 2 (A) each of the exemptions provided by Section 151(c) of the
 - 3 Internal Revenue Code;
 - 4 (B) each additional amount allowable under Section 63(f) of
 - 5 the Internal Revenue Code; and
 - 6 (C) the spouse of the taxpayer if a separate return is made by
 - 7 the taxpayer and if the spouse, for the calendar year in which
 - 8 the taxable year of the taxpayer begins, has no gross income
 - 9 and is not the dependent of another taxpayer.
- 10 (5) Subtract:
 - 11 (A) one thousand five hundred dollars (\$1,500) for each of the
 - 12 exemptions allowed under Section 151(c)(1)(B) of the Internal
 - 13 Revenue Code for taxable years beginning after December 31,
 - 14 1996; and
 - 15 (B) five hundred dollars (\$500) for each additional amount
 - 16 allowable under Section 63(f)(1) of the Internal Revenue Code
 - 17 if the adjusted gross income of the taxpayer, or the taxpayer
 - 18 and the taxpayer's spouse in the case of a joint return, is less
 - 19 than forty thousand dollars (\$40,000).

20 This amount is in addition to the amount subtracted under

21 subdivision (4).
- 22 (6) Subtract an amount equal to the lesser of:
 - 23 (A) that part of the individual's adjusted gross income (as
 - 24 defined in Section 62 of the Internal Revenue Code) for that
 - 25 taxable year that is subject to a tax that is imposed by a
 - 26 political subdivision of another state and that is imposed on or
 - 27 measured by income; or
 - 28 (B) two thousand dollars (\$2,000).
- 29 (7) Add an amount equal to the total capital gain portion of a lump
- 30 sum distribution (as defined in Section 402(e)(4)(D) of the
- 31 Internal Revenue Code) if the lump sum distribution is received by
- 32 the individual during the taxable year and if the capital gain
- 33 portion of the distribution is taxed in the manner provided in
- 34 Section 402 of the Internal Revenue Code.
- 35 (8) Subtract any amounts included in federal adjusted gross
- 36 income under Section 111 of the Internal Revenue Code as a
- 37 recovery of items previously deducted as an itemized deduction
- 38 from adjusted gross income.
- 39 (9) Subtract any amounts included in federal adjusted gross
- 40 income under the Internal Revenue Code which amounts were
- 41 received by the individual as supplemental railroad retirement
- 42 annuities under 45 U.S.C. 231 and which are not deductible under
- 43 subdivision (1).
- 44 (10) Add an amount equal to the deduction allowed under Section
- 45 221 of the Internal Revenue Code for married couples filing joint
- 46 returns if the taxable year began before January 1, 1987.
- 47 (11) Add an amount equal to the interest excluded from federal
- 48 gross income by the individual for the taxable year under Section
- 49 128 of the Internal Revenue Code if the taxable year began before

- 1 January 1, 1985.
- 2 (12) Subtract an amount equal to the amount of federal Social
- 3 Security and Railroad Retirement benefits included in a taxpayer's
- 4 federal gross income by Section 86 of the Internal Revenue Code.
- 5 (13) In the case of a nonresident taxpayer or a resident taxpayer
- 6 residing in Indiana for a period of less than the taxpayer's entire
- 7 taxable year, the total amount of the deductions allowed pursuant
- 8 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
- 9 which bears the same ratio to the total as the taxpayer's income
- 10 taxable in Indiana bears to the taxpayer's total income.
- 11 (14) In the case of an individual who is a recipient of assistance
- 12 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
- 13 subtract an amount equal to that portion of the individual's
- 14 adjusted gross income with respect to which the individual is not
- 15 allowed under federal law to retain an amount to pay state and
- 16 local income taxes.
- 17 (15) In the case of an eligible individual, subtract the amount of a
- 18 Holocaust victim's settlement payment included in the individual's
- 19 federal adjusted gross income.
- 20 (16) For taxable years beginning after December 31, 1999,
- 21 subtract an amount equal to the portion of any premiums paid
- 22 during the taxable year by the taxpayer for a qualified long term
- 23 care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the
- 24 taxpayer's spouse, or both.
- 25 (17) Subtract an amount equal to the lesser of:
- 26 (A) for a taxable year:
- 27 (i) including any part of 2004, the amount determined under
- 28 subsection (f); and
- 29 (ii) beginning after December 31, 2004, two thousand five
- 30 hundred dollars (\$2,500); or
- 31 (B) the amount of property taxes that are paid during the
- 32 taxable year in Indiana by the individual on the individual's
- 33 principal place of residence.
- 34 (18) Subtract an amount equal to the amount of a September 11
- 35 terrorist attack settlement payment included in the individual's
- 36 federal adjusted gross income.
- 37 (19) Add or subtract the amount necessary to make the adjusted
- 38 gross income of any taxpayer that owns property for which bonus
- 39 depreciation was allowed in the current taxable year or in an
- 40 earlier taxable year equal to the amount of adjusted gross income
- 41 that would have been computed had an election not been made
- 42 under Section 168(k) of the Internal Revenue Code to apply bonus
- 43 depreciation to the property in the year that it was placed in
- 44 service.
- 45 (20) Add an amount equal to any deduction allowed under Section
- 46 172 of the Internal Revenue Code.
- 47 (21) Add or subtract the amount necessary to make the adjusted
- 48 gross income of any taxpayer that placed Section 179 property (as
- 49 defined in Section 179 of the Internal Revenue Code) in service in

the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(22) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(9) Add to the extent required by IC 6-3-2-20 the amount of intangible expenses (as defined in IC 6-3-2-20) and any

directly related intangible interest expenses (as defined in IC 6-3-2-20) for the taxable year that reduced the corporation's taxable income (as defined in Section 63 of the Internal Revenue Code) for federal income tax purposes.

(c) In the case of life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) that are organized under Indiana law, the same as "life insurance company taxable income" (as defined in Section 801 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 or Section 810 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(d) In the case of insurance companies subject to tax under Section 831 of the Internal Revenue Code and organized under Indiana law, the same as "taxable income" (as defined in Section 832 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable

under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(e) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the federal adjusted gross income of the estate of a victim of the September 11 terrorist attack or a trust to the extent the trust benefits a victim of the September 11 terrorist attack.

(3) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(4) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(6) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(f) This subsection applies only to the extent that an individual paid property taxes in 2004 that were imposed for the March 1, 2002, assessment date or the January 15, 2003, assessment date. The maximum amount of the deduction under subsection (a)(17) is equal to the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine the amount of property taxes that the taxpayer paid after December 31, 2003, in the taxable year for property taxes imposed for the March 1, 2002, assessment date and the January 15, 2003, assessment date.

STEP TWO: Determine the amount of property taxes that the taxpayer paid in the taxable year for the March 1, 2003, assessment date and the January 15, 2004, assessment date.

STEP THREE: Determine the result of the STEP ONE amount divided by the STEP TWO amount.

STEP FOUR: Multiply the STEP THREE amount by two thousand five hundred dollars (\$2,500).

STEP FIVE: Determine the sum of the STEP FOUR amount and two thousand five hundred dollars (\$2,500).

SECTION 25. IC 6-3-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 2. (a) With regard to corporations and nonresident persons, "adjusted gross income derived from sources within Indiana", for the purposes of this article, shall mean and include:

(1) income from real or tangible personal property located in this state;

(2) income from doing business in this state;

(3) income from a trade or profession conducted in this state;

(4) compensation for labor or services rendered within this state; and

(5) income from stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other intangible personal property if the receipt from the intangible is attributable to Indiana under section 2.2 of this chapter.

In the case of nonbusiness income described in subsection (g), only so much of such income as is allocated to this state under the provisions of subsections (h) through (k) shall be deemed to be derived from sources within Indiana. In the case of business income, only so much of such income as is apportioned to this state under the provision of subsection (b) shall be deemed to be derived from sources within the state of Indiana. In the case of compensation of a team member (as defined in section 2.7 of this chapter) only the portion of income determined to be Indiana income under section 2.7 of this chapter is considered derived from sources within Indiana. In the case of a corporation that is a life insurance company (as defined in Section 816(a) of the Internal Revenue Code) or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code, only so much of the income as is apportioned to Indiana under subsection (r) is considered derived from sources within Indiana.

(b) Except as provided in subsection (l), if business income of a corporation or a nonresident person is derived from sources within the state of Indiana and from sources without the state of Indiana, ~~then~~ the business income derived from sources within this state shall be determined by multiplying the business income derived from sources both within and without the state of Indiana by ~~a fraction the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three (3):~~ However, after a period of two (2) consecutive quarters of income growth and one (1) additional quarter (regardless of any income growth), the fraction shall be computed as follows: **the following:**

(1) For all taxable years that begin ~~within the first calendar year immediately following the period;~~ **after December 31, 2006, and before January 1, 2008, a fraction.** The:

(A) numerator of the fraction is the sum of the property factor plus the payroll factor plus ~~one hundred thirty-three percent (133%)~~ **the product of the sales factor multiplied by three (3);** and ~~the~~

(B) denominator of the fraction is ~~three and thirty-three hundredths (3.33):~~ **five (5).**

(2) For all taxable years that begin ~~within the second calendar year following the period;~~ **after December 31, 2007, and before January 1, 2009, a fraction.** The:

(A) numerator of the fraction is the property factor plus the payroll factor plus ~~one hundred sixty-seven percent (167%)~~ **the product of the sales factor multiplied by four and sixty-seven hundredths (4.67);** and ~~the~~

(B) denominator of the fraction is ~~three six and sixty-seven hundredths (3.67):~~ **(6.67).**

(3) For all taxable years beginning ~~on or after January 1 of the third calendar year following the period;~~ **December 31, 2008, and before January 1, 2010, a fraction.** The:

(A) numerator of the fraction is the property factor plus the payroll factor plus ~~two hundred percent (200%)~~ **the product**

- 1 of the sales factor **multiplied by eight (8); and the**
 2 **(B) denominator of the fraction is ~~four (4); ten (10).~~**
 3 **(4) For all taxable years beginning after December 31, 2009,**
 4 **and before January 1, 2011, a fraction. The:**
 5 **(A) numerator of the fraction is the property factor plus**
 6 **the payroll factor plus the product of the sales factor**
 7 **multiplied by eighteen (18); and**
 8 **(B) denominator of the fraction is twenty (20).**
 9 **(5) For all taxable years beginning after December 31, 2010,**
 10 **the sales factor.**

11 For purposes of this subsection, income growth occurs when the state's
 12 nonfarm personal income for a calendar quarter increases in comparison
 13 with the state's nonfarm personal income for the immediately preceding
 14 quarter at an annualized compound rate of five percent (5%) or more;
 15 as determined by the budget agency based on current dollar figures
 16 provided by the Bureau of Economic Analysis of the United States
 17 Department of Commerce or its successor agency. The annualized
 18 compound rate shall be computed in accordance with the formula
 19 $(1+N)^4-1$, where N equals the percentage change in the state's current
 20 dollar nonfarm personal income from one (1) quarter to the next. As
 21 soon as possible after two (2) consecutive quarters of income growth,
 22 the budget agency shall advise the department of the growth.

23 (c) The property factor is a fraction, the numerator of which is the
 24 average value of the taxpayer's real and tangible personal property
 25 owned or rented and used in this state during the taxable year and the
 26 denominator of which is the average value of all the taxpayer's real and
 27 tangible personal property owned or rented and used during the taxable
 28 year. However, with respect to a foreign corporation, the denominator
 29 does not include the average value of real or tangible personal property
 30 owned or rented and used in a place that is outside the United States.
 31 Property owned by the taxpayer is valued at its original cost. Property
 32 rented by the taxpayer is valued at eight (8) times the net annual rental
 33 rate. Net annual rental rate is the annual rental rate paid by the taxpayer
 34 less any annual rental rate received by the taxpayer from subrentals. The
 35 average of property shall be determined by averaging the values at the
 36 beginning and ending of the taxable year, but the department may
 37 require the averaging of monthly values during the taxable year if
 38 reasonably required to reflect properly the average value of the
 39 taxpayer's property.

40 (d) The payroll factor is a fraction, the numerator of which is the
 41 total amount paid in this state during the taxable year by the taxpayer
 42 for compensation, and the denominator of which is the total
 43 compensation paid everywhere during the taxable year. However, with
 44 respect to a foreign corporation, the denominator does not include
 45 compensation paid in a place that is outside the United States.
 46 Compensation is paid in this state if:

- 47 (1) the individual's service is performed entirely within the state;
 48 (2) the individual's service is performed both within and without
 49 this state, but the service performed without this state is incidental

to the individual's service within this state; or

(3) some of the service is performed in this state and:

(A) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in this state; or

(B) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual is a resident of this state.

(e) The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the taxable year, and the denominator of which is the total sales of the taxpayer everywhere during the taxable year. Sales include receipts from intangible property and receipts from the sale or exchange of intangible property. However, with respect to a foreign corporation, the denominator does not include sales made in a place that is outside the United States. Receipts from intangible personal property are derived from sources within Indiana if the receipts from the intangible personal property are attributable to Indiana under section 2.2 of this chapter. **Regardless of the f.o.b. point or other conditions of the sale**, sales of tangible personal property are in this state if:

(1) the property is delivered or shipped to a purchaser **that is within Indiana**, other than the United States government; ~~within this state; regardless of the f.o.b. point or other conditions of the sale;~~ or

(2) the property is shipped from an office, a store, a warehouse, a factory, or other place of storage in this state and:

(A) the purchaser is the United States government; or

(B) the taxpayer is not taxable in the state of the purchaser.

Gross receipts derived from commercial printing as described in IC 6-2.5-1-10 shall be treated as sales of tangible personal property for purposes of this chapter.

(f) Sales, other than receipts from intangible property covered by subsection (e) and sales of tangible personal property, are in this state if:

(1) the income-producing activity is performed in this state; or

(2) the income-producing activity is performed both within and without this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

(g) Rents and royalties from real or tangible personal property, capital gains, interest, dividends, or patent or copyright royalties, to the extent that they constitute nonbusiness income, shall be allocated as provided in subsections (h) through (k).

(h)(1) Net rents and royalties from real property located in this state are allocable to this state.

(2) Net rents and royalties from tangible personal property are allocated to this state:

(i) if and to the extent that the property is utilized in this state; or

(ii) in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

(3) The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year, and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

(i)(1) Capital gains and losses from sales of real property located in this state are allocable to this state.

(2) Capital gains and losses from sales of tangible personal property are allocable to this state if:

- (i) the property had a situs in this state at the time of the sale; or
- (ii) the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs.

(3) Capital gains and losses from sales of intangible personal property are allocable to this state if the taxpayer's commercial domicile is in this state.

(j) Interest and dividends are allocable to this state if the taxpayer's commercial domicile is in this state.

(k)(1) Patent and copyright royalties are allocable to this state:

- (i) if and to the extent that the patent or copyright is utilized by the taxpayer in this state; or
- (ii) if and to the extent that the patent or copyright is utilized by the taxpayer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in this state.

(2) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in the state in which the taxpayer's commercial domicile is located.

(3) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in the state in which the taxpayer's commercial domicile is located.

(l) If the allocation and apportionment provisions of this article do not fairly represent the taxpayer's income derived from sources within the state of Indiana, the taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business

- 1 activity, if reasonable:
- 2 (1) separate accounting;
- 3 (2) **for a taxable year beginning before January 1, 2011**, the
- 4 exclusion of any one (1) or more of the factors, **except the sales**
- 5 **factor**;
- 6 (3) the inclusion of one (1) or more additional factors which will
- 7 fairly represent the taxpayer's income derived from sources within
- 8 the state of Indiana; or
- 9 (4) the employment of any other method to effectuate an equitable
- 10 allocation and apportionment of the taxpayer's income.
- 11 (m) In the case of two (2) or more organizations, trades, or
- 12 businesses owned or controlled directly or indirectly by the same
- 13 interests, the department shall distribute, apportion, or allocate the
- 14 income derived from sources within the state of Indiana between and
- 15 among those organizations, trades, or businesses in order to fairly
- 16 reflect and report the income derived from sources within the state of
- 17 Indiana by various taxpayers.
- 18 (n) For purposes of allocation and apportionment of income under
- 19 this article, a taxpayer is taxable in another state if:
- 20 (1) in that state the taxpayer is subject to a net income tax, a
- 21 franchise tax measured by net income, a franchise tax for the
- 22 privilege of doing business, or a corporate stock tax; or
- 23 (2) that state has jurisdiction to subject the taxpayer to a net
- 24 income tax regardless of whether, in fact, the state does or does
- 25 not.
- 26 (o) Notwithstanding subsections (l) and (m), the department may
- 27 not, under any circumstances, require that income, deductions, and
- 28 credits attributable to a taxpayer and another entity be reported in a
- 29 combined income tax return for any taxable year, if the other entity is:
- 30 (1) a foreign corporation; or
- 31 (2) a corporation that is classified as a foreign operating
- 32 corporation for the taxable year by section 2.4 of this chapter.
- 33 (p) Notwithstanding subsections (l) and (m), the department may not
- 34 require that income, deductions, and credits attributable to a taxpayer
- 35 and another entity not described in subsection (o)(1) or (o)(2) be
- 36 reported in a combined income tax return for any taxable year, unless
- 37 the department is unable to fairly reflect the taxpayer's adjusted gross
- 38 income for the taxable year through use of other powers granted to the
- 39 department by subsections (l) and (m).
- 40 (q) Notwithstanding subsections (o) and (p), one (1) or more
- 41 taxpayers may petition the department under subsection (l) for
- 42 permission to file a combined income tax return for a taxable year. The
- 43 petition to file a combined income tax return must be completed and
- 44 filed with the department not more than thirty (30) days after the end of
- 45 the taxpayer's taxable year. **A taxpayer filing a combined income tax**
- 46 **return must petition the department within thirty (30) days after**
- 47 **the end of the taxpayer's taxable year to discontinue filing a**
- 48 **combined income tax return.**
- 49 (r) This subsection applies to a corporation that is a life insurance

company (as defined in Section 816(a) of the Internal Revenue Code) or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code. The corporation's adjusted gross income that is derived from sources within Indiana is determined by multiplying the corporation's adjusted gross income by a fraction:

- (1) the numerator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks in the state; and
- (2) the denominator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks everywhere.

The term "direct premiums and annuity considerations" means the gross premiums received from direct business as reported in the corporation's annual statement filed with the department of insurance.

SECTION 26. IC 6-3-2-20 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 20. (a) The following definitions apply throughout this section:**

(1) "Affiliated group" has the meaning provided in Section 1504 of the Internal Revenue Code, except that the ownership percentage in Section 1504(a)(2) of the Internal Revenue Code shall be determined using fifty percent (50%) instead of eighty percent (80%).

(2) "Directly related intangible interest expenses" means interest expenses that are paid to, or accrued or incurred as a liability to, a recipient if:

(A) the amounts represent, in the hands of the recipient, income from making one (1) or more loans; and

(B) the funds loaned were originally received by the recipient from the payment of intangible expenses by any of the following:

(i) The taxpayer.

(ii) A member of the same affiliated group as the taxpayer.

(iii) A foreign corporation.

(3) "Foreign corporation" means a corporation that is organized under the laws of a country other than the United States and would be a member of the same affiliated group as the taxpayer if the corporation were organized under the laws of the United States.

(4) "Intangible expenses" means the following amounts to the extent these amounts are allowed as deductions in determining taxable income under Section 63 of the Internal Revenue Code before the application of any net operating loss deduction and special deductions for the taxable year:

(A) Expenses, losses, and costs directly for, related to, or in connection with the acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property.

- 1 **(B) Royalty, patent, technical, and copyright fees.**
 2 **(C) Licensing fees.**
 3 **(D) Other substantially similar expenses and costs.**
 4 **(5) "Intangible property" means patents, patent applications,**
 5 **trade names, trademarks, service marks, copyrights, trade**
 6 **secrets, and substantially similar types of intangible assets.**
 7 **(6) "Interest expenses" means amounts that are allowed as**
 8 **deductions under Section 163 of the Internal Revenue Code in**
 9 **determining taxable income under Section 63 of the Internal**
 10 **Revenue Code before the application of any net operating loss**
 11 **deductions and special deductions for the taxable year.**
 12 **(7) "Makes a disclosure" means a taxpayer provides the**
 13 **following information regarding a transaction with a member**
 14 **of the same affiliated group or a foreign corporation involving**
 15 **an intangible expense and any directly related intangible**
 16 **interest expense with the taxpayer's tax return on the forms**
 17 **prescribed by the department:**
 18 **(A) The name of the recipient.**
 19 **(B) The state or country of domicile of the recipient.**
 20 **(C) The amount paid to the recipient.**
 21 **(D) A copy of federal Form 851, Affiliation Schedule, as**
 22 **filed with the taxpayer's federal consolidated tax return.**
 23 **(E) The information needed to determine the taxpayer's**
 24 **status under the exceptions listed in subsection (c).**
 25 **(8) "Recipient" means:**
 26 **(A) a member of the same affiliated group as the taxpayer;**
 27 **or**
 28 **(B) a foreign corporation;**
 29 **to which is paid an item of income that corresponds to an**
 30 **intangible expense or any directly related intangible interest**
 31 **expense.**
 32 **(9) "Unrelated party" means a person that, with respect to**
 33 **the taxpayer, is not a member of the same affiliated group or**
 34 **a foreign corporation.**
 35 **(b) Except as provided in subsection (c), in determining its**
 36 **adjusted gross income under IC 6-3-1-3.5(b), a corporation subject**
 37 **to the tax imposed by IC 6-3-2-1 shall add to its taxable income**
 38 **under Section 63 of the Internal Revenue Code:**
 39 **(1) intangible expenses; and**
 40 **(2) any directly related intangible interest expenses;**
 41 **paid, accrued, or incurred with one (1) or more members of the**
 42 **same affiliated group or with one (1) or more foreign corporations.**
 43 **(c) The addition of intangible expenses or any directly related**
 44 **intangible interest expenses otherwise required in a taxable year**
 45 **under subsection (b) is not required if one (1) or more of the**
 46 **following apply to the taxable year:**
 47 **(1) The taxpayer and the recipient are both included in the**
 48 **same consolidated tax return filed under IC 6-3-4-14 or in the**
 49 **same combined return filed under IC 6-3-2-2(q) for the**

1 taxable year.

2 (2) The taxpayer makes a disclosure and, at the request of the
3 department, can establish by a preponderance of the evidence
4 that:

5 (A) the item of income corresponding to the intangible
6 expenses and any directly related intangible interest
7 expenses was included within the recipient's income that is
8 subject to tax in:

9 (i) a state or possession of the United States; or

10 (ii) a country other than the United States;

11 that is the recipient's commercial domicile and that
12 imposes a net income tax, a franchise tax measured, in
13 whole or in part, by net income, or a value added tax;

14 (B) the transaction giving rise to the intangible expenses
15 and any directly related intangible interest expenses
16 between the taxpayer and the recipient was made at a
17 commercially reasonable rate and at terms comparable to
18 an arm's length transaction; and

19 (C) the transactions giving rise to the intangible expenses
20 and any directly related intangible interest expenses
21 between the taxpayer and the recipient did not have
22 Indiana tax avoidance as a principal purpose.

23 (3) The taxpayer makes a disclosure and, at the request of the
24 department, can establish by a preponderance of the evidence
25 that:

26 (A) the recipient regularly engages in transactions
27 involving intangible property with one (1) or more
28 unrelated parties on terms substantially similar to those of
29 the subject transaction; and

30 (B) the transaction giving rise to the intangible expenses
31 and any directly related intangible interest expenses
32 between the taxpayer and the recipient did not have
33 Indiana tax avoidance as a principal purpose.

34 (4) The taxpayer makes a disclosure and, at the request of the
35 department, can establish by a preponderance of the evidence
36 that:

37 (A) the payment was received from a person or entity that
38 is an unrelated party, and on behalf of that unrelated
39 party, paid that amount to the recipient in an arm's length
40 transaction; and

41 (B) the transaction giving rise to the intangible expenses
42 and any directly related intangible interest expenses
43 between the taxpayer and the recipient did not have
44 Indiana tax avoidance as a principal purpose.

45 (5) The taxpayer makes a disclosure and, at the request of the
46 department, can establish by a preponderance of the evidence
47 that:

48 (A) the recipient paid, accrued, or incurred a liability to an
49 unrelated party during the taxable year for an equal or

greater amount that was directly for, related to, or in connection with the same intangible property giving rise to the intangible expenses; and

(B) the transactions giving rise to the intangible expenses and any directly related intangible interest expenses between the taxpayer and the recipient did not have Indiana tax avoidance as a principal purpose.

(6) The taxpayer makes a disclosure and, at the request of the department, can establish by a preponderance of the evidence that:

(A) the recipient is engaged in:

(i) substantial business activities from the acquisition, use, licensing, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property; or

(ii) other substantial business activities separate and apart from the business activities described in item (i); as evidenced by the maintenance of a permanent office space and an adequate number of full-time, experienced employees;

(B) the transactions giving rise to the intangible expenses and any directly related intangible interest expenses between the taxpayer and the recipient did not have Indiana tax avoidance as a principal purpose; and

(C) the transactions were made at a commercially reasonable rate and at terms comparable to an arm's length transaction.

(7) The taxpayer and the department agree, in writing, to the application or use of an alternative method of allocation or appointment under section 2(l) or 2(m) of this chapter.

(8) Upon request by the taxpayer, the department determines that the adjustment otherwise required by this section is unreasonable.

(d) For purposes of this section, intangible expenses or directly related intangible interest expenses shall be considered to be at a commercially reasonable rate or at terms comparable to an arm's length transaction if the intangible expenses or directly related intangible interest expenses meet the arm's length standards of United States Treasury Regulation 1.482-1(b).

(e) If intangible expenses or directly related intangible expenses are determined not to be at a commercially reasonable rate or at terms comparable to an arm's length transaction for purposes of this section, the adjustment required by subsection (b) shall be made only to the extent necessary to cause the intangible expenses or directly related intangible interest expenses to be at a commercially reasonable rate and at terms comparable to an arm's length transaction.

(f) For purposes of this section, transactions giving rise to intangible expenses and any directly related intangible interest

expenses between the taxpayer and the recipient shall be considered as having Indiana tax avoidance as the principal purpose if:

- (1) there is not one (1) or more valid business purposes that independently sustain the transaction notwithstanding any tax benefits associated with the transaction; and
- (2) the principal purpose of tax avoidance exceeds any other valid business purpose.

SECTION 27. IC 6-3.5-1.1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) The county council of any county in which the county option income tax will not be in effect on July 1 of a year under an ordinance adopted during a previous calendar year may impose the county adjusted gross income tax on the adjusted gross income of county taxpayers of its county effective July 1 of that year.

(b) Except as provided in section 2.3, 2.5, 2.7, 2.8, 2.9, 3.3, 3.5, or 3.6 of this chapter, the county adjusted gross income tax may be imposed at a rate of one-half of one percent (0.5%), three-fourths of one percent (0.75%), or one percent (1%) on the adjusted gross income of resident county taxpayers of the county. Any county imposing the county adjusted gross income tax must impose the tax on the nonresident county taxpayers at a rate of one-fourth of one percent (0.25%) on their adjusted gross income. If the county council elects to decrease the county adjusted gross income tax, the county council may decrease the county adjusted gross income tax rate in increments of one-tenth of one percent (0.1%).

(c) To impose the county adjusted gross income tax, the county council must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance must substantially state the following:

"The _____ County Council imposes the county adjusted gross income tax on the county taxpayers of _____ County. The county adjusted gross income tax is imposed at a rate of _____ percent (____%) on the resident county taxpayers of the county and one-fourth of one percent (0.25%) on the nonresident county taxpayers of the county. This tax takes effect July 1 of this year."

(d) Any ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.

(e) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this section and immediately send a certified copy of the results to the department by certified mail.

(f) If the county adjusted gross income tax had previously been adopted by a county under IC 6-3.5-1 (before its repeal on March 15, 1983) and that tax was in effect at the time of the enactment of this chapter, then the county adjusted gross income tax continues in that county at the rates in effect at the time of enactment until the rates are modified or the tax is rescinded in the manner prescribed by this chapter. If a county's adjusted gross income tax is continued under this subsection, then the tax shall be treated as if it had been imposed under

1 this chapter and is subject to rescission or reduction as authorized in
2 this chapter.

3 SECTION 28. IC 6-3.5-1.1-2.3 IS ADDED TO THE INDIANA
4 CODE AS A NEW SECTION TO READ AS FOLLOWS
5 [EFFECTIVE UPON PASSAGE]: **Sec. 2.3. (a) This section applies**
6 **to Jasper County.**

7 (b) The county council may, by ordinance, determine that
8 additional county adjusted gross income tax revenue is needed in
9 the county to:

10 (1) finance, construct, acquire, improve, renovate, or equip:

11 (A) jail facilities;

12 (B) juvenile court, detention, and probation facilities;

13 (C) other criminal justice facilities; and

14 (D) related buildings and parking facilities;

15 located in the county, including costs related to the demolition
16 of existing buildings and the acquisition of land; and

17 (2) repay bonds issued or leases entered into for the purposes
18 described in subdivision (1).

19 (c) The county council may, by ordinance, determine that
20 additional county adjusted gross income tax revenue is needed in
21 the county to operate or maintain any of the facilities described in
22 subsection (b)(1)(A) through (b)(1)(D) that are located in the
23 county. The county council may make a determination under both
24 this subsection and subsection (b).

25 (d) In addition to the rates permitted by section 2 of this
26 chapter, the county council may impose the county adjusted gross
27 income tax at a rate of:

28 (1) fifteen-hundredths percent (0.15%);

29 (2) two-tenths percent (0.2%); or

30 (3) twenty-five hundredths percent (0.25%);

31 on the adjusted gross income of county taxpayers if the county
32 council makes a finding and determination set forth in subsection
33 (b) or (c).

34 (e) If the county council imposes the tax under this section to
35 pay for the purposes described in both subsections (b) and (c),
36 when:

37 (1) the financing, construction, acquisition, improvement,
38 renovation, and equipping described in subsection (b) are
39 completed; and

40 (2) all bonds issued or leases entered into to finance the
41 construction, acquisition, improvement, renovation, and
42 equipping described in subsection (b) are fully paid;

43 the county council shall, subject to subsection (d), establish a tax
44 rate under this section by ordinance such that the revenue from the
45 tax does not exceed the costs of operating and maintaining the jail
46 facilities described in subsection (b)(1)(A). The tax rate may not be
47 imposed at a rate greater than is necessary to carry out the
48 purposes described in subsections (b) and (c), as applicable.

49 (f) An ordinance adopted under this section before June 1, 2006,

or April 1 in a subsequent year applies to the imposition of county income taxes after June 30 in that year. An ordinance adopted under this section after May 31, 2006, and March 31 of a subsequent year initially applies to the imposition of county option income taxes after June 30 of the immediately following year.

(g) The tax imposed under this section may be imposed only until the latest of the following:

(1) The date on which the financing, construction, acquisition, improvement, renovation, and equipping described in subsection (b) are completed.

(2) The date on which the last of any bonds issued or leases entered into to finance the construction, acquisition, improvement, renovation, and equipping described in subsection (b) are fully paid.

(3) The date on which an ordinance adopted under subsection (c) is rescinded.

(h) The term of the bonds issued (including any refunding bonds) or a lease entered into under subsection (b)(2) may not exceed twenty (20) years.

(i) The county treasurer shall establish a criminal justice facilities revenue fund to be used only for purposes described in this section. County adjusted gross income tax revenues derived from the tax rate imposed under this section shall be deposited in the criminal justice facilities revenue fund before making a certified distribution under section 11 of this chapter.

(j) County adjusted gross income tax revenues derived from the tax rate imposed under this section:

(1) may be used only for the purposes described in this section;

(2) may not be considered by the department of local government finance in determining the county's maximum permissible property tax levy limit under IC 6-1.1-18.5; and

(3) may be pledged to the repayment of bonds issued or leases entered into for any or all the purposes described in subsection (b).

(k) Notwithstanding any other law, money remaining in the criminal justice facilities revenue fund established under subsection (i) after the tax imposed by this section is terminated under subsection (f) shall be transferred to the county highway fund to be used for construction, resurfacing, restoration, and rehabilitation of county highways, roads, and bridges.

SECTION 29. IC 6-3.5-1.1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. (a) Except as provided in subsection (b), one-half (1/2) of each adopting county's certified distribution for a calendar year shall be distributed from its account established under section 8 of this chapter to the appropriate county treasurer on May 1 and the other one-half (1/2) on November 1 of that calendar year.

(b) This subsection applies to a county having a population of more

than one hundred forty-five thousand (145,000) but less than one hundred forty-eight thousand (148,000). Notwithstanding section 9 of this chapter, the initial certified distribution certified for a county under section 9 of this chapter shall be distributed to the county treasurer from the account established for the county under section 8 of this chapter according to the following schedule during the eighteen (18) month period beginning on July 1 of the year in which the county initially adopts an ordinance under section 2 of this chapter:

(1) One-fourth (1/4) on October 1 of the year in which the ordinance was adopted.

(2) One-fourth (1/4) on January 1 of the calendar year following the year in which the ordinance was adopted.

(3) One-fourth (1/4) on May 1 of the calendar year following the year in which the ordinance was adopted.

(4) One-fourth (1/4) on November 1 of the calendar year following the year in which the ordinance was adopted.

Notwithstanding section 11 of this chapter, the part of the certified distribution received under subdivision (1) that would otherwise be allocated to a civil taxing unit or school corporation as property tax replacement credits under section 11 of this chapter shall be set aside and treated for the calendar year when received by the civil taxing unit or school corporation as a levy excess subject to IC 6-1.1-18.5-17 or IC 6-1.1-19-1.7. Certified distributions made to the county treasurer for calendar years following the eighteen (18) month period described in this subsection shall be made as provided in subsection (a).

(c) Except for:

(1) revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, equipping, operating, or maintaining facilities and buildings;

(B) debt service on bonds; or

(C) lease rentals;

under section 2.3 of this chapter;

~~(1)~~ **(2)** revenue that must be used to pay the costs of operating a jail and juvenile detention center under section 2.5(d) of this chapter;

~~(2)~~ **(3)** revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, or equipping facilities and buildings;

(B) debt service on bonds; or

(C) lease rentals;

under section 2.8 of this chapter;

~~(3)~~ **(4)** revenue that must be used to pay the costs of construction, improvement, renovation, or remodeling of a jail and related buildings and parking structures under section 2.7, 2.9, or 3.3 of this chapter;

~~(4)~~ **(5)** revenue that must be used to pay the costs of operating and maintaining a jail and justice center under section 3.5(d) of this chapter; or

~~(5)~~ (6) revenue that must be used to pay the costs of constructing, acquiring, improving, renovating, or equipping a county courthouse under section 3.6 of this chapter;

distributions made to a county treasurer under subsections (a) and (b) shall be treated as though they were property taxes that were due and payable during that same calendar year. Except as provided by subsection (b), the certified distribution shall be distributed and used by the taxing units and school corporations as provided in sections 11 through 15 of this chapter.

(d) All distributions from an account established under section 8 of this chapter shall be made by warrants issued by the auditor of the state to the treasurer of the state ordering the appropriate payments.

SECTION 30. IC 6-3.5-1.1-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 11. (a) Except for:

(1) revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, equipping, operating, or maintaining facilities and buildings;

(B) debt service on bonds; or

(C) lease rentals;

under section 2.3 of this chapter;

~~(1)~~ (2) revenue that must be used to pay the costs of operating a jail and juvenile detention center under section 2.5(d) of this chapter;

~~(2)~~ (3) revenue that must be used to pay the costs of:

(A) financing, constructing, acquiring, improving, renovating, or equipping facilities and buildings;

(B) debt service on bonds; or

(C) lease rentals;

under section 2.8 of this chapter;

~~(3)~~ (4) revenue that must be used to pay the costs of construction, improvement, renovation, or remodeling of a jail and related buildings and parking structures under section 2.7, 2.9, or 3.3 of this chapter;

~~(4)~~ (5) revenue that must be used to pay the costs of operating and maintaining a jail and justice center under section 3.5(d) of this chapter; or

~~(5)~~ (6) revenue that must be used to pay the costs of constructing, acquiring, improving, renovating, or equipping a county courthouse under section 3.6 of this chapter;

the certified distribution received by a county treasurer shall, in the manner prescribed in this section, be allocated, distributed, and used by the civil taxing units and school corporations of the county as certified shares and property tax replacement credits.

(b) Before August 10 of each calendar year, each county auditor shall determine the part of the certified distribution for the next succeeding calendar year that will be allocated as property tax replacement credits and the part that will be allocated as certified shares. The percentage of a certified distribution that will be allocated

as property tax replacement credits or as certified shares depends upon the county adjusted gross income tax rate for resident county taxpayers in effect on August 1 of the calendar year that precedes the year in which the certified distribution will be received by two (2) years. The percentages are set forth in the following table:

PROPERTY		
COUNTY	TAX	
ADJUSTED GROSS	REPLACEMENT	CERTIFIED
INCOME TAX RATE	CREDITS	SHARES
0.5%	50%	50%
0.75%	33 1/3%	66 2/3%
1%	25%	75%

(c) The part of a certified distribution that constitutes property tax replacement credits shall be distributed as provided under sections 12, 13, and 14 of this chapter.

(d) The part of a certified distribution that constitutes certified shares shall be distributed as provided by section 15 of this chapter.

SECTION 31. IC 6-3.5-6-18, AS AMENDED BY P.L.207-2005, SECTION 8, IS AMENDED TO READ AS FOLLOWS[[EFFECTIVE UPON PASSAGE]: Sec. 18. (a) The revenue a county auditor receives under this chapter shall be used to:

- (1) replace the amount, if any, of property tax revenue lost due to the allowance of an increased homestead credit within the county;
- (2) fund the operation of a public communications system and computer facilities district as provided in an election, if any, made by the county fiscal body under IC 36-8-15-19(b);
- (3) fund the operation of a public transportation corporation as provided in an election, if any, made by the county fiscal body under IC 36-9-4-42;
- (4) make payments permitted under IC 36-7-15.1-17.5;
- (5) make payments permitted under subsection (i); ~~and~~
- (6) make distributions of distributive shares to the civil taxing units of a county; **and**
- (7) make the distributions permitted under sections 27, 28, and 29 of this chapter.**

(b) The county auditor shall retain from the payments of the county's certified distribution, an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. This money shall be distributed to the civil taxing units and school corporations of the county as though they were property tax collections and in such a manner that no civil taxing unit or school corporation shall suffer a net revenue loss due to the allowance of an increased homestead credit.

(c) The county auditor shall retain:

- (1) the amount, if any, specified by the county fiscal body for a particular calendar year under subsection (i), IC 36-7-15.1-17.5, IC 36-8-15-19(b), and IC 36-9-4-42 from the county's certified distribution for that same calendar year; and**
- (2) the amount of an additional tax rate imposed under section 27, 28, or 29 of this chapter.**

1 The county auditor shall distribute amounts retained under this
2 subsection to the county.

3 (d) All certified distribution revenues that are not retained and
4 distributed under subsections (b) and (c) shall be distributed to the civil
5 taxing units of the county as distributive shares.

6 (e) The amount of distributive shares that each civil taxing unit in a
7 county is entitled to receive during a month equals the product of the
8 following:

9 (1) The amount of revenue that is to be distributed as distributive
10 shares during that month; multiplied by

11 (2) A fraction. The numerator of the fraction equals the allocation
12 amount for the civil taxing unit for the calendar year in which the
13 month falls. The denominator of the fraction equals the sum of the
14 allocation amounts of all the civil taxing units of the county for the
15 calendar year in which the month falls.

16 (f) The department of local government finance shall provide each
17 county auditor with the fractional amount of distributive shares that
18 each civil taxing unit in the auditor's county is entitled to receive
19 monthly under this section.

20 (g) Notwithstanding subsection (e), if a civil taxing unit of an
21 adopting county does not impose a property tax levy that is first due and
22 payable in a calendar year in which distributive shares are being
23 distributed under this section, that civil taxing unit is entitled to receive
24 a part of the revenue to be distributed as distributive shares under this
25 section within the county. The fractional amount such a civil taxing unit
26 is entitled to receive each month during that calendar year equals the
27 product of the following:

28 (1) The amount to be distributed as distributive shares during that
29 month; multiplied by

30 (2) A fraction. The numerator of the fraction equals the budget of
31 that civil taxing unit for that calendar year. The denominator of the
32 fraction equals the aggregate budgets of all civil taxing units of
33 that county for that calendar year.

34 (h) If for a calendar year a civil taxing unit is allocated a part of a
35 county's distributive shares by subsection (g), then the formula used in
36 subsection (e) to determine all other civil taxing units' distributive
37 shares shall be changed each month for that same year by reducing the
38 amount to be distributed as distributive shares under subsection (e) by
39 the amount of distributive shares allocated under subsection (g) for that
40 same month. The department of local government finance shall make
41 any adjustments required by this subsection and provide them to the
42 appropriate county auditors.

43 (i) Notwithstanding any other law, a county fiscal body may pledge
44 revenues received under this chapter to the payment of bonds or lease
45 rentals to finance a qualified economic development tax project under
46 IC 36-7-27 in that county or in any other county if the county fiscal
47 body determines that the project will promote significant opportunities
48 for the gainful employment or retention of employment of the county's
49 residents.

SECTION 32. IC 6-3.5-6-29 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 29. (a) This section applies only to Scott County. Scott County is a county in which:**

(1) maintaining low property tax rates is essential to economic development; and

(2) the use of additional county option income tax revenues as provided in this section, rather than the use of property taxes, to fund:

(A) the financing, construction, acquisition, improvement, renovation, equipping, operation, or maintenance of jail facilities; and

(B) the repayment of bonds issued or leases entered into for the purposes described in clause (A), except operation or maintenance;

promotes the purpose of maintaining low property tax rates.

(b) The county fiscal body may impose the county option income tax on the adjusted gross income of resident county taxpayers at a rate, in addition to the rates permitted by sections 8 and 9 of this chapter, not to exceed twenty-five hundredths percent (0.25%). Section 8(e) of this chapter applies to the application of the additional rate to nonresident taxpayers.

(c) To impose the county option income tax as provided in this section, the county fiscal body must adopt an ordinance finding and determining that additional revenues from the county option income tax are needed in the county to fund:

(1) the financing, construction, acquisition, improvement, renovation, equipping, operation, or maintenance of jail facilities; and

(2) the repayment of bonds issued or leases entered into for the purposes described in subdivision (1), except operation or maintenance.

(d) If the county fiscal body makes a determination under subsection (c), the county fiscal body may adopt an additional tax rate under subsection (b). Subject to the limitations in subsection (b), the county fiscal body may amend an ordinance adopted under this section to increase, decrease, or rescind the additional tax rate imposed under this section. As soon as practicable after the adoption of an ordinance under this section, the county fiscal body shall send a certified copy of the ordinance to the county auditor, the department of local government finance, and the department. An ordinance adopted under this section before June 1, 2006, or April 1 in a subsequent year applies to the imposition of county income taxes after June 30 in that year. An ordinance adopted under this section after May 31, 2006, and March 31 of a subsequent year initially applies to the imposition of county option income taxes after June 30 of the immediately following year.

(e) If the county imposes an additional tax rate under this section, the county treasurer shall establish a county jail revenue

fund to be used only for the purposes described in this section. County option income tax revenues derived from the tax rate imposed under this section shall be deposited in the county jail revenue fund before making a certified distribution under section 18 of this chapter.

(f) County option income tax revenues derived from an additional tax rate imposed under this section:

(1) may be used only for the purposes described in this section;

(2) may not be considered by the department of local government finance in determining the county's maximum permissible property tax levy limit under IC 6-1.1-18.5; and

(3) may be pledged for the repayment of bonds issued or leases entered into to fund the purposes described in subsection (c)(1), except operation or maintenance.

(g) If the county imposes an additional tax rate under this section, the department, after reviewing the recommendation of the budget agency, shall adjust the certified distribution of the county to provide for an increased distribution of taxes in the immediately following calendar year after the county adopts the increased tax rate and in each calendar year thereafter. The department shall provide for a full transition to certification of distributions as provided in section 17(a)(1) through 17(a)(2) of this chapter in the manner provided in section 17(c) of this chapter.

SECTION 33. IC 6-3.5-7-5, AS AMENDED BY P.L.214-2005, SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Except as provided in subsection (c), the county economic development income tax may be imposed on the adjusted gross income of county taxpayers. The entity that may impose the tax is:

(1) the county income tax council (as defined in IC 6-3.5-6-1) if the county option income tax is in effect on January 1 of the year the county economic development income tax is imposed;

(2) the county council if the county adjusted gross income tax is in effect on January 1 of the year the county economic development tax is imposed; or

(3) the county income tax council or the county council, whichever acts first, for a county not covered by subdivision (1) or (2).

To impose the county economic development income tax, a county income tax council shall use the procedures set forth in IC 6-3.5-6 concerning the imposition of the county option income tax.

(b) Except as provided in subsections (c), (g), (k), (p), and (r) the county economic development income tax may be imposed at a rate of:

(1) one-tenth percent (0.1%);

(2) two-tenths percent (0.2%);

(3) twenty-five hundredths percent (0.25%);

(4) three-tenths percent (0.3%);

(5) thirty-five hundredths percent (0.35%);

(6) four-tenths percent (0.4%);

(7) forty-five hundredths percent (0.45%); or

(8) five-tenths percent (0.5%);

on the adjusted gross income of county taxpayers.

(c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), (o), (p), ~~or~~ (s), ~~or~~ (v), the county economic development income tax rate plus the county adjusted gross income tax rate, if any, that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%). Except as provided in subsection (g), (p), (r), ~~or~~ (t), ~~or~~ (u), the county economic development tax rate plus the county option income tax rate, if any, that are in effect on January 1 of a year may not exceed one percent (1%).

(d) To impose, increase, decrease, or rescind the county economic development income tax, the appropriate body must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance to impose the tax must substantially state the following:

"The _____ County _____ imposes the county economic development income tax on the county taxpayers of _____ County. The county economic development income tax is imposed at a rate of _____ percent (____ %) on the county taxpayers of the county. This tax takes effect July 1 of this year.".

(e) Any ordinance adopted under this chapter takes effect July 1 of the year the ordinance is adopted.

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this chapter and shall, not more than ten (10) days after the vote, send a certified copy of the results to the commissioner of the department by certified mail.

(g) This subsection applies to a county having a population of more than one hundred forty-eight thousand (148,000) but less than one hundred seventy thousand (170,000). Except as provided in subsection (p), in addition to the rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at a rate of:

(A) fifteen-hundredths percent (0.15%);

(B) two-tenths percent (0.2%); or

(C) twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county income tax council makes a determination to impose rates under this subsection and section 22 of this chapter.

(h) For a county having a population of more than forty-one thousand (41,000) but less than forty-three thousand (43,000), except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and thirty-five hundredths percent (1.35%) if the county has imposed the county adjusted gross income tax at a rate of one and one-tenth percent (1.1%) under IC 6-3.5-1.1-2.5.

(i) For a county having a population of more than thirteen thousand

1 five hundred (13,500) but less than fourteen thousand (14,000), except
 2 as provided in subsection (p), the county economic development income
 3 tax rate plus the county adjusted gross income tax rate that are in effect
 4 on January 1 of a year may not exceed one and fifty-five hundredths
 5 percent (1.55%).

6 (j) For a county having a population of more than seventy-one
 7 thousand (71,000) but less than seventy-one thousand four hundred
 8 (71,400), except as provided in subsection (p), the county economic
 9 development income tax rate plus the county adjusted gross income tax
 10 rate that are in effect on January 1 of a year may not exceed one and
 11 five-tenths percent (1.5%).

12 (k) This subsection applies to a county having a population of more
 13 than twenty-seven thousand four hundred (27,400) but less than
 14 twenty-seven thousand five hundred (27,500). Except as provided in
 15 subsection (p), in addition to the rates permitted under subsection (b):

16 (1) the county economic development income tax may be imposed
 17 at a rate of twenty-five hundredths percent (0.25%); and

18 (2) the sum of the county economic development income tax rate
 19 and the county adjusted gross income tax rate that are in effect on
 20 January 1 of a year may not exceed one and five-tenths percent
 21 (1.5%);

22 if the county council makes a determination to impose rates under this
 23 subsection and section 22.5 of this chapter.

24 (l) For a county having a population of more than twenty-nine
 25 thousand (29,000) but less than thirty thousand (30,000), except as
 26 provided in subsection (p), the county economic development income
 27 tax rate plus the county adjusted gross income tax rate that are in effect
 28 on January 1 of a year may not exceed one and five-tenths percent
 29 (1.5%).

30 (m) For:

31 (1) a county having a population of more than one hundred
 32 eighty-two thousand seven hundred ninety (182,790) but less than
 33 two hundred thousand (200,000); or

34 (2) a county having a population of more than forty-five thousand
 35 (45,000) but less than forty-five thousand nine hundred (45,900);

36 except as provided in subsection (p), the county economic development
 37 income tax rate plus the county adjusted gross income tax rate that are
 38 in effect on January 1 of a year may not exceed one and five-tenths
 39 percent (1.5%).

40 (n) For a county having a population of more than six thousand
 41 (6,000) but less than eight thousand (8,000), except as provided in
 42 subsection (p), the county economic development income tax rate plus
 43 the county adjusted gross income tax rate that are in effect on January
 44 1 of a year may not exceed one and five-tenths percent (1.5%).

45 (o) This subsection applies to a county having a population of more
 46 than thirty-nine thousand (39,000) but less than thirty-nine thousand six
 47 hundred (39,600). Except as provided in subsection (p), in addition to
 48 the rates permitted under subsection (b):

49 (1) the county economic development income tax may be imposed

at a rate of twenty-five hundredths percent (0.25%); and
 (2) the sum of the county economic development income tax rate
 and:

(A) the county adjusted gross income tax rate that are in effect
 on January 1 of a year may not exceed one and five-tenths
 percent (1.5%); or

(B) the county option income tax rate that are in effect on
 January 1 of a year may not exceed one and twenty-five
 hundredths percent (1.25%);

if the county council makes a determination to impose rates under this
 subsection and section 24 of this chapter.

(p) In addition:

(1) the county economic development income tax may be imposed
 at a rate that exceeds by not more than twenty-five hundredths
 percent (0.25%) the maximum rate that would otherwise apply
 under this section; and

(2) the:

(A) county economic development income tax; and

(B) county option income tax or county adjusted gross income
 tax;

may be imposed at combined rates that exceed by not more than
 twenty-five hundredths percent (0.25%) the maximum combined
 rates that would otherwise apply under this section.

However, the additional rate imposed under this subsection may not
 exceed the amount necessary to mitigate the increased ad valorem
 property taxes on homesteads (as defined in IC 6-1.1-20.9-1) **or**
residential property (as defined in section 26 of this chapter), as
appropriate under the ordinance adopted by the adopting body in
the county, resulting from the deduction of the assessed value of
 inventory in the county under IC 6-1.1-12-41 or IC 6-1.1-12-42.

(q) If the county economic development income tax is imposed as
 authorized under subsection (p) at a rate that exceeds the maximum rate
 that would otherwise apply under this section, the certified distribution
 must be used for the purpose provided in section 25(e) or 26 of this
 chapter to the extent that the certified distribution results from the
 difference between:

(1) the actual county economic development tax rate; and

(2) the maximum rate that would otherwise apply under this
 section.

(r) This subsection applies only to a county described in section 27
 of this chapter. Except as provided in subsection (p), in addition to the
 rates permitted by subsection (b), the:

(1) county economic development income tax may be imposed at
 a rate of twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county
 option income tax rate that are in effect on January 1 of a year may
 equal up to one and twenty-five hundredths percent (1.25%);

if the county council makes a determination to impose rates under this
 subsection and section 27 of this chapter.

(s) Except as provided in subsection (p), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%) if the county has imposed the county adjusted gross income tax under IC 6-3.5-1.1-3.3.

(t) This subsection applies to Howard County. Except as provided in subsection (p), the sum of the county economic development income tax rate and the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%).

(u) This subsection applies to Scott County. Except as provided in subsection (p), the sum of the county economic development income tax rate and the county option income tax rate that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%).

(v) This subsection applies to Jasper County. Except as provided in subsection (p), the sum of the county economic development income tax rate and the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and five-tenths percent (1.5%).

SECTION 34. IC 6-3.5-7-26, AS AMENDED BY P.L.199-2005, SECTION 26, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 26. (a) This section applies only to homestead **and property tax replacement** credits for property taxes first due and payable after calendar year 2006.

(b) ~~For purposes of~~ **The following definitions apply throughout** this section:

(1) "Adopt" includes amend.

(2) "Adopting entity" means:

~~(1)~~ **(A)** the entity that adopts an ordinance under IC 6-1.1-12-41(f); or

~~(2)~~ **(B)** any other entity that may impose a county economic development income tax under section 5 of this chapter.

(3) "Homestead" refers to tangible property that is eligible for a homestead credit under IC 6-1.1-20.9.

(4) "Residential" refers to the following:

(A) Real property, a mobile home, and industrialized housing that would qualify as a homestead if the taxpayer had filed for a homestead credit under IC 6-1.1-20.9.

(B) Real property not described in clause (A) designed to provide units that are regularly used to rent or otherwise furnish residential accommodations for periods of thirty (30) days or more, regardless of whether the tangible property is subject to assessment under rules of the department of local government finance that apply to:

(i) residential property; or

(ii) commercial property.

(c) An adopting entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for

the purpose provided in subsection (e). An adopting entity that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. An ordinance must be adopted under this subsection after **January 1, 2006, and before June 1, 2006, or, in a year following 2006, after January 1 but before April 1** of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

(1) first applies to the certified distribution described in section 16(c) of this chapter made in the later of the calendar year that immediately succeeds the calendar year in which the ordinance is adopted or calendar year 2007; and

(2) must specify that the certified distribution must be used to provide for **one (1) of the following, as determined by the adopting entity:**

(A) Uniformly applied increased homestead credits as provided in subsection (f). ~~or~~

(B) Uniformly applied increased residential credits as provided in subsection (g).

~~(B) (C)~~ (C) Allocated increased homestead credits as provided in subsection ~~(h)~~ (i).

(D) Allocated increased residential credits as provided in subsection (j).

An ordinance adopted under this subsection may be combined with an ordinance adopted under section 25 of this chapter.

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

(1) retained by the county auditor under subsection ~~(i)~~ (k); and

(2) used for the purpose provided in subsection (e) instead of the purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the adopting entity shall use the certified distribution described in section 16(c) of this chapter to increase:

(1) if the ordinance grants a credit described in subsection (c)(2)(A) or (c)(2)(C), the homestead credit allowed in the county under IC 6-1.1-20.9 for a year; or

(2) if the ordinance grants a credit described in subsection (c)(2)(B) or (c)(2)(D), the property tax replacement credit allowed in the county under IC 6-1.1-21-5 for a year for the residential property;

to offset the effect on homesteads **or residential property, as applicable**, in the county resulting from the statewide deduction for inventory under IC 6-1.1-12-42. **The amount of an additional residential property tax replacement credit granted under this section may not be considered in computing the amount of any homestead credit to which the residential property may be entitled**

under IC 6-1.1-20.9 or another law other than IC 6-1.1-20.6.

(f) If the imposing entity specifies the application of uniform increased homestead credits under subsection (c)(2)(A), the county auditor shall, for each calendar year in which an increased homestead credit percentage is authorized under this section, determine:

- (1) the amount of the certified distribution that is available to provide an increased homestead credit percentage for the year;
- (2) the amount of uniformly applied homestead credits for the year in the county that equals the amount determined under subdivision (1); and
- (3) the increased percentage of homestead credit that equates to the amount of homestead credits determined under subdivision (2).

(g) If the imposing entity specifies the application of uniform increased residential credits under subsection (c)(2)(B), the county auditor shall determine for each calendar year in which an increased homestead credit percentage is authorized under this section:

- (1) the amount of the certified distribution that is available to provide an increased residential property tax replacement credit percentage for the year;**
- (2) the amount of uniformly applied residential property tax replacement credits for the year in the county that equals the amount determined under subdivision (1); and**
- (3) the increased percentage of residential property tax replacement credit that equates to the amount of residential property tax replacement credits determined under subdivision (2).**

~~(g)~~ **(h)** The increased percentage of homestead credit determined by the county auditor under subsection (f) **or the increased percentage of residential property tax replacement credit determined by the county auditor under subsection (g)** applies uniformly in the county in the calendar year for which the increased percentage is determined.

~~(h)~~ **(i)** If the imposing entity specifies the application of allocated increased homestead credits under subsection ~~(c)(2)(B)~~, **(c)(2)(C)**, the county auditor shall, for each calendar year in which an increased homestead credit is authorized under this section, determine:

- (1) the amount of the certified distribution that is available to provide an increased homestead credit for the year; and
- (2) except as provided in subsection ~~(j)~~, **(l)**, an increased percentage of homestead credit for each taxing district in the county that allocates to the taxing district an amount of increased homestead credits that bears the same proportion to the amount determined under subdivision (1) that the amount of inventory assessed value deducted under IC 6-1.1-12-42 in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-42 in the county for the immediately preceding year's assessment date.

(j) If the imposing entity specifies the application of allocated

increased residential property tax replacement credits under subsection (c)(2)(D), the county auditor shall determine for each calendar year in which an increased residential property tax replacement credit is authorized under this section:

(1) the amount of the certified distribution that is available to provide an increased residential property tax replacement credit for the year; and

(2) except as provided in subsection (l), an increased percentage of residential property tax replacement credit for each taxing district in the county that allocates to the taxing district an amount of increased residential property tax replacement credits that bears the same proportion to the amount determined under subdivision (1) that the amount of inventory assessed value deducted under IC 6-1.1-12-42 in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-42 in the county for the immediately preceding year's assessment date.

(j) (k) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit **or residential property tax replacement credit** within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

(1) as if the money were from property tax collections; and

(2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit **or residential property tax replacement credit**.

(j) (l) Subject to the approval of the imposing entity, the county auditor may adjust the increased percentage of:

(1) homestead credit determined under subsection ~~(h)~~(2) (i)(2) if the county auditor determines that the adjustment is necessary to achieve an equitable reduction of property taxes among the homesteads in the county; **or**

(2) **residential property tax replacement credit determined under subsection (j)(2) if the county auditor determines that the adjustment is necessary to achieve an equitable reduction of property taxes among the residential property in the county.**

SECTION 35. IC 6-8.1-1-1, AS AMENDED BY P.L.214-2005, SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. "Listed taxes" or "taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the river boat admissions tax (IC 4-33-12); the river boat wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1) (repealed); the utility receipts **tax and utility services use taxes** (IC 6-2.3); the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8) (repealed); the county adjusted

gross income tax (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county economic development income tax (IC 6-3.5-7); the municipal option income tax (IC 6-3.5-8); the auto rental excise tax (IC 6-6-9); the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

SECTION 36. IC 6-9-39 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 39. County Option Dog Tax

Sec. 1. As used in this chapter, "animal care facility" includes an animal control center, an animal shelter, a humane society, or another animal impounding facility that has as its purpose the humane treatment of animals.

Sec. 2. As used in this chapter, "taxable dog" means a dog at least six (6) months of age.

Sec. 3. (a) The fiscal body of a county may adopt an ordinance to impose a tax on a person who harbors or keeps a taxable dog in or near the person's premises in the county, regardless of who owns the taxable dog. A person who harbors or keeps a taxable dog in the county is liable for the tax.

(b) A tax imposed under this section may not exceed five dollars (\$5) per year for each taxable dog.

(c) The maximum amount of county option dog tax per year that may be imposed by an ordinance adopted under this section for taxable dogs kept in a kennel for breeding, boarding, training, or sale is an amount equal to the lesser of:

(1) the county option dog tax liability calculated without regard to this subsection for taxable dogs kept in the kennel for breeding, boarding, training, or sale; or

(2) for a kennel in which:

(A) more than six (6) taxable dogs are kept for breeding, boarding, training, or sale, fifty dollars (\$50); or

(B) not more than six (6) taxable dogs are kept for

1 breeding, boarding, training, or sale, thirty dollars (\$30).

2 **Sec. 4.** If an ordinance adopted under section 3 of this chapter
3 is in effect in a county, the fiscal body of the county may rescind the
4 ordinance imposing the county option dog tax.

5 **Sec. 5. (a)** The fiscal body of a county may collect a county
6 option dog tax imposed under section 3 of this chapter by any
7 combination of the following methods:

8 (1) By designating one (1) or more persons in the county to
9 collect the tax.

10 (2) By requiring a person who harbors or keeps a taxable dog
11 to submit a complete and accurate county option dog tax
12 return.

13 (3) By a method other than a method described in subdivision
14 (1) or (2) as determined by the fiscal body of the county.

15 (b) A designee under subsection (a)(1) may retain a fee from the
16 tax collected for each taxable dog in an amount determined by the
17 fiscal body not to exceed seventy-five cents (\$0.75). A designee shall
18 remit the balance of the money collected to the county treasurer by
19 the tenth day of each month.

20 (c) If a fiscal body chooses to collect a county option dog tax
21 imposed under section 3 of this chapter by requiring the
22 submission of a county option dog tax return under subsection (a),
23 the county treasurer may include a county option dog tax return
24 form with every property tax statement that is mailed to a person
25 under IC 6-1.1-22-8(a)(1).

26 (d) The department of local government finance shall prescribe
27 a county option dog tax return form that a county may use for the
28 reporting of county option dog tax liability.

29 **Sec. 6. (a)** If a county fiscal body adopts an ordinance under
30 section 3 of this chapter, the county treasurer shall establish a
31 county option dog tax fund.

32 (b) At the time a county option dog tax fund is established under
33 subsection (a), the county treasurer shall establish a canine
34 research and education account within the county option dog tax
35 fund established under subsection (a).

36 (c) Interest and investment income derived from money in a
37 county option dog tax fund becomes part of the county option dog
38 tax fund.

39 (d) Money in a county's county option dog tax fund at the end
40 of a calendar year does not revert to the county's general fund.

41 **Sec. 7. (a)** A county treasurer that receives county option dog
42 tax revenue under section 5 of this chapter shall deposit the money
43 in the county option dog tax fund according to the following
44 allocation:

45 (1) Twenty percent (20%) for the canine research and
46 education account established under section 6(b) of this
47 chapter.

48 (2) Eighty percent (80%) for the uses designated by the fiscal
49 body of the county under subsection (c).

(b) If an ordinance adopted under section 3 of this chapter is in effect in a county, the county auditor and the county treasurer shall include the county option dog tax revenue received by the county treasurer in the settlement procedures described in IC 6-1.1-27. Amounts accumulated in the county canine research and education account shall be paid to the state treasurer in accordance with the procedure described under IC 6-1.1-27-3.

(c) The fiscal body of a county that imposes a tax under this chapter may appropriate money in the county option dog tax fund, other than money allocated to the canine research and education account established under section 6(b) of this chapter, for any of the following purposes:

- (1) The use of animal care facilities.
- (2) Animal control, including dead animal disposal.
- (3) Reimbursement to farmers for livestock kills.
- (4) Reimbursement to people who have undergone rabies post exposure prophylaxis.

(d) The fiscal body of a county that imposes a tax under this chapter may establish requirements according to which individuals or entities are eligible to receive distributions of money appropriated for a purpose described in subsection (c).

Sec. 8. (a) A special canine research and education account within the state general fund shall be established. Any payments issued to the state under section 7(b) of this chapter shall be deposited in the canine research and education account in the state general fund.

(b) Any income earned on money held in the canine research and education account established under subsection (a) becomes a part of that account.

(c) Any revenue remaining in the canine research and education account established under subsection (a) at the end of a fiscal year does not revert to the state general fund.

(d) There is annually appropriated to the Purdue University School of Veterinary Science and Medicine from the canine research and education account established under subsection (a) an amount equal to the sum of money deposited in the canine research and education account during the state fiscal year for its use in conducting canine disease research and education.

(e) On or about August 1 of each year, if there is a positive amount in the canine research and education account established under subsection (a), the auditor of state shall issue a warrant to the Purdue University School of Veterinary Science and Medicine for an amount equal to the amount of money accumulated in the canine research and education account.

Sec. 9. After July 1, 2006, a county or a municipality (as defined in IC 36-1-2-11) of the county may not adopt an ordinance implementing a licensing system for dogs unless the county option dog tax under this chapter is in effect in the county.

SECTION 37. IC 15-5-7-1 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. If a dog kills or injures any livestock while the livestock is in the care, custody, and control of the livestock's owner or ~~his~~ **the owner's** agent, the owner or harbinger of the dog is liable to the owner of the livestock for all damages sustained, including ~~his~~ reasonable attorney's fees and the court costs. ~~if the appropriate dog tax has not been paid on the dog,~~ **triple damages may be awarded.**

SECTION 38. IC 15-5-7-3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 3. (a) The following losses and expenses are chargeable to the county in which an attack or exposure occurs:**

(1) Damages, less compensation by insurance or otherwise, sustained by owners of the following stock, fowl, or game killed, maimed, or damaged by dogs:

(A) Sheep.

(B) Cattle.

(C) Horses.

(D) Swine.

(E) Goats.

(F) Mules.

(G) Chickens.

(H) Geese.

(I) Turkeys.

(J) Ducks.

(K) Guineas.

(L) Tame rabbits.

(M) Game birds and game animals held in captivity under authority of a game breeder's license issued by the department of natural resources.

(N) Bison.

(O) Farm raised cervidae.

(P) Ratitae.

(Q) Camelidae.

(2) The expense of rabies post exposure prophylaxis that is incurred by any person who is bitten by or exposed to a dog known to have rabies.

(b) A person requiring the treatment described in subsection (a)(2) may select the person's own physician.

(c) Damages are not chargeable to a county under this section for sheep except those claims in which individual damage exists or is shown.

(d) A county auditor shall establish procedures in accordance with the requirements of subsection (a) and section 4 of this chapter by which claimants may submit claims to the county auditor or a designee of the county auditor.

(e) A county auditor who:

(1) receives a verified claim under subsection (a) from a claimant; and

(2) is satisfied that the claim meets the requirements of

subsection (a) and section 4 of this chapter;
 shall immediately issue a warrant or check to the claimant for the
 verified amount of the claim. If a county option dog tax adopted
 under IC 6-9-39 is not in effect in the county, a claim under this
 section may be paid out of nonappropriated funds. A county
 auditor who is not satisfied that a claim meets the requirements of
 subsection (a) and section 4 of this chapter shall promptly notify
 the claimant.

(f) A person whose claim under subsection (a) is denied by a
 county auditor may file an action in a court with jurisdiction to
 determine whether the county auditor acted in conformance with
 the requirements of this section and section 4 of this chapter. If the
 court determines that the county auditor failed to comply with the
 requirements of this section or section 4 of this chapter in
 evaluating the person's claim, the court may fashion an
 appropriate remedy, including an order directed to the county
 auditor to reconsider the person's claim.

SECTION 39. IC 15-5-7-4 IS ADDED TO THE INDIANA CODE
 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
 JULY 1, 2006]: Sec. 4. (a) An owner desiring to make a claim under
 section 3(a)(1) of this chapter must do the following:

(1) Not more than seventy-two (72) hours after the time of the
 loss, notify one (1) of the following having jurisdiction in the
 location where the loss occurred:

(A) A law enforcement officer.

(B) An officer of a county or municipal animal control
 center, shelter, or similar impounding facility.

(2) Not more than twenty (20) days after the time of the loss,
 report the loss to the county auditor as follows:

(A) Under oath, the owner shall state:

(i) the number, age, and value of the stock, fowl, or
 game; and

(ii) the damages sustained, less compensation by
 insurance or otherwise.

(B) In an affidavit, the owner must be joined by two (2)
 disinterested and reputable freeholders residing in the
 township in which the stock, fowl, or game were killed,
 maimed, or damaged. The affidavit must state that the
 freeholders are:

(i) disinterested; and

(ii) not related by blood or marriage to the claimant.

(C) An appraisal of the stock, fowl, or game that were
 killed, maimed, or damaged may not exceed the actual cash
 value of the stock, fowl, or game. As it applies to ratitae,
 cash value may not exceed the slaughter value.

(D) The owner shall provide verification of the loss by an
 officer under subdivision (1).

(E) Payment for a loss for property owned by a claimant
 on the last property tax assessment date may not be paid

1 if the property was not reported by the owner for
2 assessment purposes at that time.

3 **(b) In addition to the requirements of subsection (a), the**
4 **claimant, if requested to do so by the county auditor or a person**
5 **designated by the county auditor, must grant the right of**
6 **subrogation to the county for the total amount paid on the claim to**
7 **the claimant by the county on a form prescribed by the county**
8 **auditor.**

9 **(c) An officer who receives notice under subsection (a)(1) shall**
10 **visit the scene of the loss, verify the loss in writing, and mark each**
11 **killed, maimed, or damaged animal so that the animal can support**
12 **only one (1) claim under this chapter.**

13 **(d) A person desiring to make a claim under section 3(a)(2) of**
14 **this chapter must provide the county auditor with documentation**
15 **that the person, or a person for whom the claimant is financially**
16 **responsible, underwent rabies post exposure prophylaxis.**

17 SECTION 40. IC 20-42-1-11, AS ADDED BY HEA 1134-2006,
18 SECTION 165, IS AMENDED TO READ AS FOLLOWS
19 [EFFECTIVE JULY 1, 2006]: Sec. 11. In a county where the total
20 amount in the:

21 (1) fund; or
22 (2) congressional township school fund;
23 accumulates to the amount of at least one thousand dollars (\$1,000), a
24 county may ~~not~~ borrow and use the funds or any part of the funds for
25 any lawful purpose for a period not exceeding five (5) years.

26 SECTION 41. IC 20-42-2-11, AS ADDED BY HEA 1134-2006,
27 SECTION 165, IS AMENDED TO READ AS FOLLOWS
28 [EFFECTIVE JULY 1, 2006]: Sec. 11. In a county where the total
29 amount in the:

30 (1) common school fund; or
31 (2) fund;
32 accumulates to the amount of at least one thousand dollars (\$1,000), a
33 county may ~~not~~ borrow and use the funds, or any part of the funds, for
34 any lawful purpose for a period not exceeding five (5) years.

35 SECTION 42. IC 20-43-2-2, AS ADDED BY HEA 1134-2006,
36 SECTION 166, IS AMENDED TO READ AS FOLLOWS
37 [EFFECTIVE JULY 1, 2006]: Sec. 2. The maximum state distribution
38 for a calendar year for all school corporations is:

39 (1) **the greater of:**
40 **(A) three billion ~~seven~~ ~~eight~~ hundred ~~fifty-four~~ ~~two~~ million**
41 **~~seven~~ ~~nine~~ hundred thousand dollars (~~\$3,754,700,000~~)**
42 **(~~\$3,802,900,000~~); or**
43 **(B) the amount necessary to enable the department of**
44 **education to make tuition support distributions in 2006 in**
45 **accordance with IC 21-1-30 and this article without**
46 **requiring a reduction in the amount distributed for tuition**
47 **support under this section;**
48 in 2006; and
49 (2) three billion seven hundred forty-seven million two hundred

thousand dollars (\$3,747,200,000) in 2007.

SECTION 43. IC 20-43-2-3, AS ADDED BY HEA 1134-2006, SECTION 166, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. **(a) Except as provided in subsection (b), if the total amount to be distributed:**

- (1) as basic tuition support;
- (2) for academic honors diploma awards;
- (3) for primetime distributions;
- (4) for special education grants; and
- (5) for vocational education grants;

for a particular year exceeds the maximum state distribution for a calendar year, the amount to be distributed for state tuition support under this article to each school corporation during each of the last six (6) months of the year shall be proportionately reduced so that the total reductions equal the amount of the excess.

(b) The department of education shall distribute the full amount of tuition support to school corporations in the second six (6) months of 2006 in accordance with this article without a reduction under this section.

SECTION 44. IC 20-45-1-21, AS ADDED BY HEA 1134-2006, SECTION 168, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 21. "Total assessed value" with respect to a school corporation means **for:**

- (1) 2006, the total assessed value of all taxable property for property taxes first due and payable during the year; and**
- (2) 2007, the lesser of the following:**

(A) The total assessed value of all taxable property for property taxes first due and payable during calendar year 2006.

(B) The total assessed value of all taxable property for property taxes first due and payable during calendar year 2007, as certified by the department of local government finance.

SECTION 45. IC 20-45-3-5, AS ADDED BY HEA 1134-2006, SECTION 168, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. (a) A school corporation's tax rate floor is the tax rate determined under this section.

(b) This subsection applies only if the school corporation's guaranteed minimum revenue for the calendar year is not equal to the school corporation's foundation amount revenue for a calendar year. The school corporation's tax rate floor for the calendar year is the result under STEP SIX of the following formula:

STEP ONE: Divide the school corporation's **total** assessed ~~valuation~~ **value** by the school corporation's current ADM.

STEP TWO: Divide the STEP ONE result by ten thousand (10,000).

STEP THREE: Determine the greater of the following:

- (A) The STEP TWO result.
- (B) Thirty-six dollars and thirty cents (\$36.30).

STEP FOUR: Determine the result under clause (B):

(A) Subtract the school corporation's foundation amount revenue for the calendar year from the school corporation's guaranteed minimum revenue for the calendar year.

(B) Divide the clause (A) result by the school corporation's current ADM.

STEP FIVE: Divide the STEP FOUR result by the STEP THREE result.

STEP SIX: Divide the STEP FIVE result by one hundred (100).

(c) This subsection applies only if the school corporation's guaranteed minimum revenue for the calendar year is equal to the school corporation's foundation amount revenue for a calendar year and the STEP ONE result is greater than zero (0). The school corporation's tax rate floor for the calendar year is the result under STEP SEVEN of the following formula:

STEP ONE: Add the following:

(A) An amount equal to the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years.

(B) The part of the unadjusted tuition support levy for the year that equals the original amount of the levy imposed by the school corporation to cover the costs of opening a new school facility during the preceding year.

STEP TWO: Divide the STEP ONE result by the school corporation's current ADM.

STEP THREE: Divide the school corporation's **total** assessed ~~valuation~~ **value** by the school corporation's current ADM.

STEP FOUR: Divide the STEP THREE result by ten thousand (10,000).

STEP FIVE: Determine the greater of the following:

(A) The STEP FOUR result.

(B) Thirty-six dollars and thirty cents (\$36.30).

STEP SIX: Divide the STEP TWO result by the STEP FIVE amount.

STEP SEVEN: Divide the STEP SIX result by one hundred (100).

SECTION 46. IC 20-45-3-6, AS ADDED BY HEA 1134-2006, SECTION 168, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. **(a)** A school corporation's target property tax rate for a calendar year is the sum of:

(1) **in:**

(A) 2006, seventy-two cents (\$0.72); ~~in 2006~~ and ~~seventy-two~~

(B) 2007, the greater of:

(i) seventy-two and ninety-two hundredths cents (\$0.7292); ~~in 2007~~; or

(ii) the rate determined under subsection (b); plus

(2) if applicable, the school corporation's minimum equalization tax rate.

(b) If using the best information available to the department of

1 local government finance, the department of local government
2 finance determines that the result of:

3 (1) the lesser of:

4 (A) two billion thirty-five million nine hundred thousand
5 dollars (\$2,035,900,000); or

6 (B) the result of:

7 (i) the sum of the tuition support levies certified by the
8 department of local government finance for all school
9 corporations for 2006; multiplied by

10 (ii) one and forty-one thousandths (1.041); minus

11 (2) the sum of all maximum permissible tuition support levies
12 for all school corporations in 2007, as determined by using the
13 tax rate specified in subsection (a)(1)(B)(i);

14 would exceed one million dollars (\$1,000,000) in 2007, the
15 department of local government finance, shall, before February 16,
16 2007, adjust the tax rate used in subsection (a)(1)(B) for 2007 so
17 that the difference determined by subtracting the sum of all
18 maximum permissible tuition support levies (as defined in
19 IC 20-45-1-15) for all school corporations determined by using the
20 adjusted tax rate from the amount determined under subdivision
21 (1) does not exceed one million dollars (\$1,000,000). To carry out
22 this subsection the department of local government finance may
23 increase a school corporation's tax rate and levy to a rate and
24 amount that exceeds the rate originally advertised or fixed by the
25 school corporation. Before adjusting a tax rate under this
26 subsection, the department of local government finance shall
27 review the recommendations of the department of education and
28 the budget agency.

29 SECTION 47. IC 27-5.1-2-8 IS AMENDED TO READ AS
30 FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:
31 Sec. 8. The following provisions apply to standard companies and
32 extended companies:

33 (1) IC 27-1-3.

34 (2) IC 27-1-3.1.

35 (3) IC 27-1-5-3.

36 (4) IC 27-1-7-14 through IC 27-1-7-16.

37 (5) IC 27-1-7-21 through IC 27-1-7-23.

38 (6) IC 27-1-9.

39 (7) IC 27-1-10.

40 (8) IC 27-1-13-3 through IC 27-1-13-4.

41 (9) IC 27-1-13-6 through IC 27-1-13-9.

42 (10) IC 27-1-15.6.

43 **(11) IC 27-1-18-2.**

44 ~~(11)~~ (12) IC 27-1-20-1.

45 ~~(12)~~ (13) IC 27-1-20-4.

46 ~~(13)~~ (14) IC 27-1-20-6.

47 ~~(14)~~ (15) IC 27-1-20-9 through IC 27-1-20-11.

48 ~~(15)~~ (16) IC 27-1-20-14.

49 ~~(16)~~ (17) IC 27-1-20-19 through IC 27-1-20-21.3.

- 1 ~~(17)~~ **(18)** IC 27-1-20-23.
- 2 ~~(18)~~ **(19)** IC 27-1-20-30.
- 3 ~~(19)~~ **(20)** IC 27-1-22.
- 4 ~~(20)~~ **(21)** IC 27-4-1.
- 5 ~~(21)~~ **(22)** Except as provided in IC 27-6-1.1-6, IC 27-6-1.1-2.
- 6 ~~(22)~~ **(23)** IC 27-6-2.
- 7 ~~(23)~~ **(24)** IC 27-7-2.
- 8 ~~(24)~~ **(25)** IC 27-9.
- 9 ~~(25)~~ **(26)** IC 34-30-17.

10 SECTION 48. IC 36-6-5-3 IS AMENDED TO READ AS
 11 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. The assessor shall
 12 perform the duties prescribed by statute, including

- 13 ~~(1)~~ assessment duties prescribed by IC 6-1.1. and
- 14 ~~(2)~~ administration of the dog tax and dog fund, as prescribed by
- 15 ~~IC 15-5-9.~~

16 SECTION 49. THE FOLLOWING ARE REPEALED
 17 [EFFECTIVE JULY 1, 2006]: IC 15-5-9; IC 15-5-10.

18 SECTION 50. [EFFECTIVE UPON PASSAGE] (a)
 19 Notwithstanding IC 6-1.1-20.6-6, as in effect January 1, 2006, a
 20 county may adopt an ordinance under this SECTION to apply the
 21 credit authorized by IC 6-1.1-20.6, as in effect January 1, 2006, to
 22 property taxes first due and payable in 2006.

23 (b) If a county has not issued property tax statements under
 24 IC 6-1.1-22-8 to the persons liable for property taxes in the county
 25 for property taxes first due and payable in 2006, the county fiscal
 26 body may adopt an ordinance to apply the credit under
 27 IC 6-1.1-20.6, as in effect January 1, 2006, to the property taxes
 28 first due and payable in 2006. A county fiscal body may not adopt
 29 an ordinance under this subsection after statements are issued
 30 under IC 6-1.1-22-8 for the property taxes first due and payable in
 31 2006.

32 (c) Except as provided in subsection (a), IC 6-1.1-20.6, as in
 33 effect January 1, 2006, applies to a credit authorized by an
 34 ordinance adopted under this SECTION.

35 (d) This SECTION expires January 1, 2007.

36 SECTION 51. [EFFECTIVE JULY 1, 2006] (a) Notwithstanding
 37 the repeal of IC 15-5-9-10 by this act, if any money remains in the
 38 state dog account of the state general fund on June 30, 2006, the
 39 auditor of state shall, on July 1, 2006, abolish the account and
 40 distribute the money as follows:

- 41 (1) Fifty percent (50%) to Purdue University School of
- 42 Veterinary Science and Medicine, to be used solely for canine
- 43 disease research.
- 44 (2) Fifty percent (50%) to the counties identified under
- 45 subsection (b).

46 (b) Money to be distributed under subsection (a)(2) shall be
 47 divided among the counties that paid to the auditor of state, under
 48 IC 15-5-9-10(j) (before its repeal by this act), the surplus money
 49 remaining in the counties' county dog funds on May 1, 2006.

(c) Each county's share of the total amount distributed under this SECTION must be proportional to the county's share of the total amount paid to the auditor of state in 2006 under IC 15-5-9-10(j) (before its repeal by this act).

(d) On or before August 1, 2006, the county auditor of each county shall distribute to the township trustees of the townships located in the county:

- (1) money distributed to the county under subsection (b); and
- (2) any money remaining in the county dog fund.

An equal share of the money described in this subsection shall be distributed to each township trustee.

(e) A township trustee who receives a distribution under subsection (d) shall use the distribution:

- (1) to pay claims filed under IC 15-5-9-9.1 (before its repeal by this act);
- (2) to pay fees and charges under IC 15-5-9-10 (before its repeal by this act);
- (3) to provide funding for the humane society designated by the county legislative body under IC 15-5-9-8(d) (before its repeal by this act) to receive a part of each dog tax payment;
- or
- (4) if the county legislative body did not designate a humane society under IC 15-5-9-8(d) (before its repeal by this act), to provide funding for the township general fund.

(f) If any part of the money distributed to a township trustee under subsection (d) has not been not expended by July 1, 2007, for a purpose allowed under subsection (e), the township trustee shall distribute the remainder of the distribution received under subsection (d) to the county treasurer. If the county option dog tax under IC 6-9-39, as added by this act, is in effect in the county on July 1, 2007, the county treasurer shall deposit the money in the county option dog tax fund established under IC 6-9-39-6(a), as added by this act. However, notwithstanding IC 6-9-39-7(a), as added by this act, none of the money distributed to the county treasurer under this subsection shall be allocated to the county canine research and education account established under IC 6-9-39-6(b), as added by this act. If the county option dog tax under IC 6-9-39, as added by this act, is not in effect in the county on July 1, 2007, the county treasurer shall deposit the money in the county general fund.

(g) This SECTION expires January 1, 2008.

SECTION 52. [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]: IC 27-5.1-2-8, as amended by this act, applies only to taxable years beginning after December 31, 2005.

SECTION 53. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "taxable year" has the meaning set forth in IC 6-3-1-16.

(b) IC 6-3-2-20, as added by this act, applies only to taxable years beginning after June 30, 2006.

(c) The addition of IC 6-3-2-20, as added by this act, does not affect the legitimacy or illegitimacy of deductions claimed by taxpayers for taxable years beginning before July 1, 2006. Any determination of:

(1) the department of state revenue; or

(2) a court reviewing a department of state revenue determination;

of the legitimacy or illegitimacy of deductions claimed by taxpayers for taxable years beginning before July 1, 2006, shall be made without regard to IC 6-3-2-20, as added by this act.

(d) The department of state revenue may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement IC 6-3-2-20, as added by this act. A temporary rule adopted under this SECTION expires on the earliest of the following:

(1) The date a rule is adopted by the department of state revenue under IC 4-22-2 that repeals, amends, or supersedes the temporary rule.

(2) The date another temporary rule is adopted under this SECTION that repeals, amends, or supersedes a previously adopted temporary rule.

(3) The date specified in the temporary rule.

(4) July 1, 2007.

(e) If the general assembly enacts more than one (1) law in the 2006 regular session of the general assembly that amends IC 6-3-1-3.5, the laws shall be read together to implement the policies enacted in each act.

SECTION 54. [EFFECTIVE JULY 1, 2006] (a) As used in this SECTION, "home energy" has the meaning set forth in IC 6-2.5-5-16.5.

(b) IC 6-2.5-4-5, as amended by this act, and IC 6-2.5-5-16.5, as added by this act, apply to transactions involving home energy that occur after June 30, 2006, and before July 1, 2007.

SECTION 55. [EFFECTIVE UPON PASSAGE] The department of state revenue may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement IC 6-2.3-1-3.5, IC 6-2.3-3-11, and IC 6-2.3-5.5, all as added by this act, IC 6-2.5-4-5, as amended by this act, and IC 6-2.5-5-16.5, as added by this act. A temporary rule adopted under this SECTION expires on the earliest of the following:

(1) The date a rule is adopted by the department of state revenue under IC 4-22-2 that repeals, amends, or supersedes the temporary rule.

(2) The date another temporary rule is adopted under this SECTION that repeals, amends, or supersedes a previously adopted temporary rule.

(3) The date specified in the temporary rule.

(4) July 1, 2007.

SECTION 56. [EFFECTIVE JANUARY 1, 2007] IC 6-3-2-2, as

1 amended by this act, applies to taxable years beginning after
2 December 31, 2006.

3 SECTION 57. [EFFECTIVE UPON PASSAGE] (a) The
4 definitions in IC 6-1.1-1, IC 6-1.1-20.9, and IC 6-1.1-21 apply
5 throughout this SECTION.

6 (b) As used in this SECTION, "additional 2006 homestead
7 credit" means the part of the homestead credit percentage
8 exceeding twenty percent (20%) that is granted under
9 IC 6-1.1-20.9-2, as amended by this act for 2006.

10 (c) A county auditor:

11 (1) may apply the entire amount of the additional 2006
12 homestead credit equally to all installments of property taxes
13 first due from the taxpayer in 2006; or

14 (2) if application of the credit to the first installment would
15 delay the delivery of tax statements more than thirty (30) days
16 after the date that the tax statements would otherwise be
17 mailed or transmitted, may issue revised tax statements and
18 apply the entire credit to the property tax due in a later
19 installment.

20 IC 6-1.1-22.5-6 does not apply if the county auditor elects to
21 proceed under subdivision (2). The department of local
22 government finance may prescribe procedures to apply the
23 additional 2006 homestead credit to tax statements. A county
24 auditor shall comply with the procedures prescribed under this
25 subsection.

26 (d) If a county implements this SECTION by mailing or
27 transmitting a revised tax statement under subsection (c)(2), the
28 county:

29 (1) shall prominently include an instruction in the tax
30 statement or on a separate insert included with the tax
31 statement that assists the recipient of the statement in
32 discovering that the amount payable in the second installment
33 is less than the amount specified in the previous tax statement
34 sent to the recipient and alerts the recipient not to make a
35 payment that exceeds the amount due; and

36 (2) is entitled to an additional distribution equal to one dollar
37 (\$1) for each revised tax statement containing the statement
38 described in subdivision (1) that is mailed or transmitted to a
39 taxpayer or a mortgagee holding an escrow account for the
40 taxpayer.

41 (e) The property tax replacement fund board shall provide for
42 an additional distribution to taxing units from the property tax
43 replacement fund to replace revenue lost to a county as the result
44 of the granting of additional 2006 homestead credits and to
45 reimburse counties for mailing or transmitting revised tax
46 statements. The distribution shall be made before November 30,
47 2006, on the schedule determined by the property tax replacement
48 fund board. A distribution described in this subsection is not
49 subject to any law limiting the maximum amount that may be

distributed under IC 6-1.1-21, including P.L.246-2005. Augmentation allowed (as defined in P.L.246-2005, SECTION 1) to make distributions described in this subsection. The amount distributed under this subsection is not included in the amount used to determine the minimum amount that must be distributed or maximum distribution that may not be exceeded under IC 6-1.1-21.

(f) This subsection applies to the part of any excessive property tax payment for property taxes first due and payable in 2006:

(1) equal to the amount of the taxpayer's additional 2006 homestead credit; and

(2) made before a tax statement or revised tax statement was mailed or transmitted for the taxpayer's homestead that reflected the taxpayer's reduced tax liability resulting from the taxpayer's additional 2006 homestead credit.

Notwithstanding IC 6-1.1-21-7, the amount of the taxpayer's excessive tax payment shall be applied first to the taxpayer's delinquent taxes (if any) in the manner provided in IC 6-1.1-23-5(b). Any remaining amount shall be retained and applied to the tax liability imposed on the homestead property in the immediately following year.

(g) This SECTION expires January 1, 2007.

SECTION 58. [EFFECTIVE JULY 1, 2005 (RETROACTIVE)]:

(a) There is appropriated to the department of education the greater of the following from the state general fund for the purposes of making the distributions for tuition support described in IC 21-3-1.7-9 (as effective before July 1, 2006) beginning July 1, 2005, and ending June 30, 2006:

(1) Twenty million one hundred thousand dollars (\$20,100,000).

(2) An amount sufficient to enable the department of education to make tuition support distributions after December 31, 2005, and before July 1, 2006, in accordance with IC 21-1-30 (as effective before July 1, 2006) and IC 21-3 (as effective before July 1, 2006) without requiring a reduction in tuition support distributions to school corporations in the first six (6) months of 2006.

The amount appropriated under this SECTION is in addition to the amount appropriated by P.L.246-2005, SECTION 9, to the department of education for distribution for tuition support but is subject to the terms and conditions specified in P.L.246-2005, SECTION 9, for the distribution for tuition support.

(b) The deficiency appropriation made by this SECTION is not subject to transfer to any other fund or subject to transfer, assignment, or reassignment for any other use or purpose by:

(1) the state board of finance, notwithstanding IC 4-9.1-1-7, IC 4-13-2-23, or any other law; or

(2) the budget agency, notwithstanding IC 4-12-1-12 or any other law.

(c) If the department of education determines that the

provisions of IC 20-45-1-21, IC 20-45-3-5, and IC 20-45-3-6, all as amended by this act, will adversely affect the policy of taxpayer tax equalization as a result of the effects of an annual adjustment under IC 6-1.1-4-4.5 or other factors, the department of education may develop an alternative tuition support levy calculation that more closely complies with the taxpayer tax equalization policies embodied in the school funding formula for 2007. After review by the budget committee and approval by the budget agency, the department of local government finance shall adjust tax rates and tax levies in 2007, as necessary, to implement the alternative calculation developed under this subsection.

SECTION 59. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "OMB" refers to the office of management and budget established by IC 4-3-22-3.

(b) The OMB shall develop a proposal under which the state and state employees may make monetary contributions to a health savings account, a deferred compensation account, or another tax advantaged savings program. The proposal must include at least the following elements:

(1) The proposal must contain estimates of future health care premium costs for state employees.

(2) The goal of the proposal must be to actuarially fund a major portion of the expected retirement health care premium costs for a typical state employee through contributions made throughout the entire career of the state employee.

(3) The proposal must make use of federal tax advantages to the greatest extent possible.

(4) The proposal may include a variety of contribution options under which the state and a state employee may make voluntary or mandatory contributions to the employee's retirement health care account.

(5) The proposal may explore the feasibility of:

(A) using the concept of "paid time off" (PTO) days in exchange for vacation days, personal days, holidays, and sick days; and

(B) permitting employees to exchange PTO days for contributions to the employee's retirement health care account.

(6) The proposal may include estimates of the monetary savings of the following:

(A) Reduced overtime expense.

(B) Savings from employee turnover.

(7) For an employee who has already served most of the employee's career in public service, the proposal must include a transition program that provides a retirement health care funding mechanism under which the employee would make contributions for the remainder of the employee's career that would be supplemented by the state in order to provide a benefit similar to the benefit that will be provided by the long

1 **term funding plan.**

2 **(c) The OMB shall present the proposal required by this**
3 **SECTION and any other findings and recommendations to the**
4 **budget committee before November 1, 2006.**

5 **SECTION 60. An emergency is declared for this act.**

 (Reference is to EHB 1001 as reprinted March 1, 2006, and as
amended by the committee report of the committee of one adopted
March 1, 2006.)

Conference Committee Report
on
Engrossed House Bill 1001

Signed by:

Representative Espich
Chairperson

Senator Kenley

Representative Crawford

Senator Hume

House Conferees

Senate Conferees